

TELECOMPLUSPLC

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23 November 2010

Telecom Plus PLC

Half-Year Results for the Six Months ended 30 September 2010

Telecom Plus PLC (trading as the Utility Warehouse), which supplies a wide range of utility services (gas, electricity, fixed line telephony, mobile telephony and broadband internet) to both residential and business customers, announces half-year results for the six months ended 30 September 2010.

Financial highlights

- Revenue up 18% to £147.0m (2009: £124.8m) reflecting continued organic growth
- Operating margin of 5.3% (2009: 4.4%) reflecting improved underlying profitability
- Profit before tax up 45% to £8.5m (2009: £5.8m)
- Continued strong underlying cash generation; net cash £18.0m (2009: £27.9m)
- Earnings per share 9.4p (2009: 6.3p)
- Interim dividend maintained at 8p per share
- Intention to pay a total dividend of 22p for the current year (2009: 22p)

Operating Highlights:

- Total services supplied up by 62,701 to 1,107,217
- Customer numbers up by 11,538 to 357,300
- Further growth in average services per member to 3.30 (2009: 3.13)
- Continued focus on attracting higher quality "owner-occupiers"
- Autumn sales conferences attended by over 3,000 distributors
- Increasing penetration of CashBack cards

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

"I am delighted to report a further period of strong organic growth with the total number of services we are supplying rising by around 63,000 to more than 1.1 million.

"Second half revenues and profits will benefit from both the full year impact of our increasing customer numbers and the seasonal nature of our business, in which most customers use around 70% of their annual energy consumption during the second half.

"Our continuing focus on the quality of our customer base is expected to deliver further significant financial benefits over the coming years, and the Board looks forward to the future with great confidence."

For more information please contact:

Telecom Plus PLC

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About Telecom Plus PLC ('Telecom Plus'):

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

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

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

Telecom Plus also has a 20% shareholding in Opus Energy Group Ltd (which changed its name from Oxford Power Holdings Ltd on 28 October 2010), a successful, profitable and fast growing independent supplier of Gas and Electricity to small, medium and large business customers.

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

Interim Management Report

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

Financial and Operating Review

Results

Revenue for the first half of the financial year increased by 18% to £147.0m (2009: £124.8m) and profit before tax increased by 45% to £8.5m (2009: £5.8m). This strong financial performance is due to the combined impact of a higher gross margin, tight control of costs and increasing economies of scale, and was achieved against a background of lower retail energy prices during the period. It more accurately reflects the underlying profitability of the business during the first half than the figures reported for the comparable period last year, when we decided to delay passing through to our customers the full impact of higher wholesale energy costs. Earnings per share of 9.4p (2009: 6.3p) have risen at a slightly faster rate than the increase in profitability for the period due to a lower tax charge of 24% (2009: 26%).

We are encouraged by the continuing strong growth we have seen in the number of customers and services we are supplying following the focus on quality we announced last year. Club membership over the period grew at an annualised rate of around 8% to 303,075 (2009: 275,400), whilst the number of services being provided to members increased at an annualised rate of 13.6% to 1,000,384 (2009: 862,945).

The proportion of new members applying for our CashBack card now exceeds 40%, with card spend on track to reach £150m over the next 12 months. This will generate over £5m in additional savings for our members.

Costs

Distribution costs only showed a small increase during the period, notwithstanding the significant growth in turnover and the number of services being provided. This is due to the changes we have made to our distributor commission structure, with a lower rate of commission now being paid on customers who do not own their homes; this is designed to reflect the higher administration and bad debt costs we incur in supplying services to tenanted properties.

Administration costs grew at a slower pace than turnover, demonstrating the economies of scale which exist within the business, albeit that one of the largest elements within this category of expenditure is the level of bad debts; these increased during the period to £3.3m (2009: £2.1m) - this higher bad debt charge is slightly more than the growth in revenues, due to delays in installing prepayment meters primarily arising from the limited availability of the county courts to issue warrants. We look forward to seeing a progressive reduction in the level of bad debts over the medium term, as we reap the benefits from directing the sales and marketing activities of our distributors towards homeowners.

We continue to focus on reducing the relatively small number of delinquent energy customers (those who are using but not paying for energy we have supplied to them). Whilst we are always prepared to assist households who are experiencing genuine financial difficulties, there unfortunately remain a small minority who refuse to pay for the energy they have used. Over the last 12 months we have been pursuing an active programme to install pre-payment meters within such households, with increasing success.

Distributors

Interest in the part-time income opportunity we provide remains strong, with around 3,600 new distributors registering to promote our services during the first half. We saw record attendance at the motivational training conferences organised by our key leaders over the weekend of 25/26 September; spread across two venues, these were attended by over 3,000 distributors, reflecting the continuing enthusiasm and confidence of our sales channel.

We successfully introduced a new online training programme in May 2010 which provides new distributors with much of the factual information and understanding about our services which they need

to start promoting them to their family and friends. This has enabled us to restructure our classroom based training modules to provide a greater emphasis on improving the skills and motivation of those who attend.

Opus

Opus Energy Group Ltd ('Opus') changed its name from Oxford Power Holdings Ltd on 28 October 2010 and continues to make strong progress in building its market share. Opus has made an encouraging start to building a new gas supply business alongside its existing successful electricity business, and paid a dividend of £5.5m during the period (of which we received £1.1m in respect of our 20% equity investment in them). Our share of the profits for the first half of the current year more than doubled to £722,000 (2009: £323,000). This is an exciting, highly profitable and cash generative business, and we look forward to working closely with the management team to explore ways in which we can assist them in maximising the value of the business over the medium term.

Customer, Distributor and Service Numbers

Telecom Plus Group	FY11		FY10		
	Q2	Q1	Q4	Q3	Q2
Distributors	30,696	30,116	29,565	28,331	26,884
Customers					
Residential Club	280,009	275,097	269,893	265,143	256,263
Business Club	23,066	22,259	21,523	20,479	19,137
Total Club	303,075	297,356	291,416	285,622	275,400
Non Club	43,552	42,821	42,276	41,871	41,988
Total Telecom Plus	346,627	340,177	333,692	327,493	317,388
TML	10,673	11,265	12,070	11,912	11,140
Total Group	357,300	351,442	345,762	339,405	328,528
Services					
Electricity	282,135	274,519	267,186	259,853	248,169
Gas	236,836	230,251	224,256	218,359	208,663
Fixed Telephony	214,096	212,656	211,565	207,934	203,025
Fixed Line Rental	160,400	156,611	153,074	147,970	143,400
Broadband	107,052	102,835	98,595	93,982	90,685
Mobile	35,795	35,360	34,067	34,961	35,610
CashBack card	54,661	46,814	39,433	32,818	24,468
Non Geographic numbers	16,242	16,317	16,340	16,168	16,068
Total Group	1,107,217	1,075,363	1,044,516	1,012,045	970,088
Residential Club	943,577	913,537	883,904	854,106	815,933
Business Club	56,807	54,685	52,949	50,182	47,012
Total Club	1,000,384	968,222	936,853	904,288	862,945
Non Club	71,590	70,712	69,855	69,871	70,460
Total Telecom Plus	1,071,974	1,038,934	1,006,708	974,159	933,405
TML	35,243	36,429	37,808	37,886	36,683
Total Group	1,107,217	1,075,363	1,044,516	1,012,045	970,088

We continued to see strong organic growth of around 600 new distributors joining the business each month during the first half, with an encouraging increase in this rate of around 25% since the September motivational sales conferences. However, during our interim review we identified that a number of long-term inactive distributors had allowed their distributorship positions to lapse. The removal of these inactive distributors from our reported figures (and also from the comparative figures for distributor

numbers in the table above) means that we now have just over 30,000 distributors, of whom almost 20,000 were active during the preceding 12 months.

The reduction in the rate of net customer growth over the 6 months to 30 September 2010, compared with the higher levels seen during the same period last year, results from the conscious decision we took in July 2009 to focus the sales effort of our distribution channel away from tenanted properties. It therefore masks a major positive shift in the quality of our customer base over that period as demonstrated by the way all our key performance indicators have been moving since then. We have seen:

- a significant improvement in the average number of services taken;
- an increase in the proportion of direct debit payers;
- a reduction in the proportion of tenants;
- a reduction in the proportion of “energy only” customers; and
- an improvement in take-up of our CashBack card.

We are also benefiting from a reduction in our ratio of staff to customers due to ongoing investment in our IT systems, and we believe the opportunity remains for us to achieve further significant economies of scale as our customer base continues to grow.

Future Opportunities

We look forward to the launch of the new “YouView” television service, a partnership between the BBC, ITV, Channel 4, Five, BT, TalkTalk and Arqiva, which has been designed to deliver an attractive range of channels to customers’ TVs using broadband. In due course we believe that this will provide an exciting opportunity for us to broaden our current range of services, grow revenues and improve customer retention. Whilst this activity may require some up-front investment in subsidising set-top boxes, any impact on our cash flow will be spread over a number of years. We anticipate that the combination of our current strong balance sheet and future retained earnings will enable us to fund our intended entry into this market from internal resources.

Interim Dividend

In line with guidance provided previously, the Board has decided to pay an interim dividend of 8p per share (2009: 8p) which will be paid on 4 January 2011 to shareholders on the register on 10 December 2010. The Company’s shares will go ex-dividend on Wednesday 8 December 2010.

Cash Flow

Our underlying cash flow remains strong with cash balances increasing during the period by £15.5m to £18m (2009: £27.9m), in line with management expectations. Whilst our cash balance is lower than at the same stage last year, this is mainly due to the combination of our decision to pay an uncovered dividend for the last financial year (reflecting our confidence in the outlook for the current year), the impact of last winter’s very cold weather on our budget plan debtors, and a rise in the number of customers in arrears with their energy payments, an increasing number of which have now had prepayment meters installed and whose debts are therefore recoverable.

Our cash balance is expected to continue to build during the current quarter towards a peak of around £27m, before reducing sharply over the following six months due to the normal seasonal cash outflows associated with supplying energy to the domestic market on budget plans.

All our cash is held on deposit at Barclays Bank and we have no debt. As disclosed in our last annual report and accounts, we have arranged extensive facilities with Barclays sufficient to meet our

foreseeable working capital requirements through to 30 June 2011; we anticipate that these facilities will be renewed as needed in the normal course of business, to cover our requirements for the following 12 months.

Tax

Our lower overall tax charge in the first half of 24% of profit before taxation (2009: 26%) reflects the inclusion of our share of the increased profits of Opus (in which we have a 20% shareholding) which is shown on our Consolidated Statement of Comprehensive Income after tax has already been deducted; as their contribution generally accounts for a higher proportion of our earnings during the first half of each year, our tax charge for this period will generally therefore be lower than for the year as a whole. Excluding the impact of any earnings from Opus, it should be expected that our tax charge in future will be broadly in line with the underlying rate of UK corporation tax.

Principal Risks and Uncertainties

The principal risks and uncertainties affecting the Company's activities which are detailed on pages 17 and 18 of the Report and Accounts for the year ended 31 March 2010 are unchanged and are repeated in Note 5 to this Half-Yearly Report. A copy of the Report and Accounts is available on the Company's website at www.telecomplus.co.uk/annualreport.

Responsibility Statement

The Directors are responsible for the preparation of the condensed set of financial statements and interim management report comprising this set of Half-Yearly Results for the six months ended 30 September 2010, each of whom accordingly confirms that to the best of his knowledge:

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

The Directors of Telecom Plus PLC are:

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

Outlook

The second half of our financial year has started strongly. Following our successful motivational sales conferences at the end of September, new distributor recruitment has been running some 25% ahead of the levels seen during the previous three months; once these new recruits have completed their training and start actively gathering new customers, this can be expected to lead to a measurable improvement in our current rate of customer growth.

Margins from supplying gas and electricity amongst the 'Big 6' energy companies remain under pressure, due to a combination of factors including rising wholesale costs (where the cost of gas for the current winter has risen by around 25% since March 2010), higher oil prices, increasing environmental and regulatory charges, and higher bad debts. On 29 October 2010, Scottish & Southern Energy announced a 9.4% increase in their retail price for gas with effect from 1 December 2010. Other members of the 'Big 6' have already followed with their own price rises. Our energy retail tariffs are also likely to increase this winter, although we intend to maintain our current competitive position.

We expect that the continuing difficult economic climate and anticipated cuts within the public sector over the next few years will provide strong support for our position in the market as the sole integrated supplier of a wide range of essential utility services, combining the convenience of a single bill with substantial cost savings and exceptional customer service. As these public spending cuts begin to bite, we expect to see more new distributors joining the business in search of a secure and reliable part-time income.

In the absence of unforeseen circumstances, we anticipate reporting record profits and turnover for the full year, and to paying a maintained total dividend of 22p per share. We look forward to returning to a progressive dividend policy, subject of course to retaining sufficient funds within the business to support our continuing strong organic growth. We face the future with great confidence.

Given on behalf of the Board

CHARLES WIGODER
Executive Chairman

CHRIS HOUGHTON
Finance Director

ANDREW LINDSAY
Chief Executive

22 November 2010

Independent Review Report to Telecom Plus PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2010 which comprises the consolidated Statement of Comprehensive Income, consolidated Balance Sheet, consolidated Cash-Flow Statement, consolidated Statement of Changes in Equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements

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

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

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

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PKF (UK) LLP

London, UK
22 November 2010

Consolidated Statement of Comprehensive Income

	6 months ended 30 September 2010 (unaudited) £'000	6 months ended 30 September 2009 (unaudited) £'000	Year ended 31 March 2010 (audited) £'000
Revenue	146,973	124,789	369,069
Cost of sales	<u>(120,050)</u>	<u>(102,305)</u>	<u>(313,386)</u>
Gross profit	26,923	22,484	55,683
Distribution expenses	(5,596)	(5,534)	(12,989)
Administrative expenses	(13,647)	(11,712)	(26,853)
Other income	<u>76</u>	<u>207</u>	<u>339</u>
Operating profit	<u>7,756</u>	<u>5,445</u>	<u>16,180</u>
Financial income	29	62	135
Financial expense	<u>(42)</u>	<u>-</u>	<u>(2)</u>
Net financial expense / income	(13)	62	133
Share of profit of associates	722	323	1,885
Profit before taxation	<u>8,465</u>	<u>5,830</u>	<u>18,198</u>
Taxation	<u>(2,051)</u>	<u>(1,516)</u>	<u>(4,756)</u>
Profit for the period attributable to the owners of the parent	<u>6,414</u>	<u>4,314</u>	<u>13,442</u>
Deferred tax on share options	218	(12)	(114)
Total comprehensive income for the period attributable to the owners of the parent	<u>6,632</u>	<u>4,302</u>	<u>13,328</u>
Basic earnings per share	<u>9.4p</u>	<u>6.3p</u>	<u>19.7p</u>
Diluted earnings per share	<u>9.3p</u>	<u>6.3p</u>	<u>19.5p</u>
Interim dividend per share	<u>8.0p</u>	<u>8.0p</u>	

Consolidated Balance Sheet

	As at 30 September 2010 (unaudited) £'000	As at 30 September 2009 (unaudited) £'000	As at 31 March 2010 (audited) £'000
Assets			
Non-current assets			
Property, plant and equipment	12,224	12,267	12,098
Goodwill and intangible assets	3,742	3,743	3,742
Investments in associates	3,634	3,026	4,003
Deferred tax	1,606	1,996	1,409
Non-current receivables	4,676	2,023	2,335
Total non-current assets	<u>25,882</u>	<u>23,055</u>	<u>23,587</u>
Current assets			
Inventories	304	303	234
Trade and other receivables	12,003	8,198	10,857
Prepayments and accrued income	45,014	36,119	65,838
Cash and cash equivalents	17,961	27,912	2,473
Total current assets	<u>75,282</u>	<u>72,532</u>	<u>79,402</u>
Total assets	<u>101,164</u>	<u>95,587</u>	<u>102,989</u>
Current liabilities			
Trade and other payables	(3,311)	(3,750)	(8,812)
Current tax payable	(1,986)	(1,413)	(1,988)
Accrued expenses and deferred income	(53,445)	(49,940)	(47,701)
Total current liabilities	<u>(58,742)</u>	<u>(55,103)</u>	<u>(58,501)</u>
Total assets less total liabilities	<u>42,422</u>	<u>40,484</u>	<u>44,488</u>
Equity attributable to the owners of the parent			
Share capital	3,452	3,452	3,452
Share premium	2,014	1,993	2,000
Treasury shares	(375)	(1,505)	(1,278)
Retained earnings	37,331	36,544	40,314
Total equity	<u>42,422</u>	<u>40,484</u>	<u>44,488</u>

Consolidated Cash Flow Statement

	6 months ended 30 September 2010 (unaudited) £'000	6 months ended 30 September 2009 (unaudited) £'000	Year ended 31 March 2010 (audited) £'000
Operating activities			
Operating profit	7,756	5,445	16,180
Depreciation of property, plant and equipment	511	460	917
Amortisation of intangible assets	-	1	1
Distribution from associated company	1,090	-	1,017
(Increase) / decrease in inventories	(70)	54	123
Decrease / (increase) in trade and other receivables	17,337	11,548	(21,142)
Increase / (decrease) in trade and other payables	243	(1,328)	1,495
Share based payment charge	227	231	459
Corporation tax paid	<u>(2,048)</u>	<u>(4,019)</u>	<u>(6,199)</u>
Net cash flow from operating activities	<u>25,046</u>	<u>12,392</u>	<u>(7,149)</u>
Investing activities			
Purchase of property, plant and equipment	(637)	(1,258)	(1,545)
Purchase of shares in associated company			(432)
Interest received	29	62	135
Cash flow from investing activities	<u>(608)</u>	<u>(1,196)</u>	<u>(1,842)</u>
Financing activities			
Dividends paid	(9,604)	(8,526)	(13,989)
Interest paid	(42)	-	(2)
Purchase of own shares	-	(272)	(272)
Sale of Treasury shares	696	157	370
Cash flow from financing activities	<u>(8,950)</u>	<u>(8,641)</u>	<u>(13,893)</u>
Increase / (decrease) in cash and cash equivalents	<u>15,488</u>	<u>2,555</u>	<u>(22,884)</u>
Cash and cash equivalents at the beginning of the period	2,473	25,357	25,357
Cash and cash equivalents at the end of the period	<u>17,961</u>	<u>27,912</u>	<u>2,473</u>

Consolidated Statement of Changes in Equity

	Ordinary Shares '000	Share Capital £'000	Share Premium £'000	Treasury Shares £'000	Retained Earnings £'000	Total £'000
Balance at 1 April 2009	69,032	3,452	1,992	(1,457)	40,605	44,592
Profit for the period ended 30 September 2009					4,314	4,314
Deferred tax on share options					(12)	(12)
Total comprehensive income for the period					<u>4,302</u>	<u>4,302</u>
Dividends					(8,526)	(8,526)
Purchase of treasury shares				(272)		(272)
Sale of treasury shares			1	224	(68)	157
Credit arising on share options					231	231
Balance at 30 September 2009	<u>69,032</u>	<u>3,452</u>	<u>1,993</u>	<u>(1,505)</u>	<u>36,544</u>	<u>40,484</u>
Balance at 1 October 2009	69,032	3,452	1,993	(1,505)	36,544	40,484
Profit for the period ended 31 March 2010					9,128	9,128
Deferred tax on share options					(102)	(102)
Total comprehensive income for the period					<u>9,026</u>	<u>9,026</u>
Dividends					(5,463)	(5,463)
Sale of treasury shares			7	227	(21)	213
Credit arising on share options					228	228
Balances at 31 March 2010	<u>69,032</u>	<u>3,452</u>	<u>2,000</u>	<u>(1,278)</u>	<u>40,314</u>	<u>44,488</u>
Balance at 1 April 2010	69,032	3,452	2,000	(1,278)	40,314	44,488
Profit for the period ended 30 September 2010					6,414	6,414
Deferred tax on share options					218	218
Total comprehensive income for the period					<u>6,632</u>	<u>6,632</u>
Dividends					(9,604)	(9,604)
Purchase of treasury shares						-
Sale of treasury shares			14	903	(238)	679
Credit arising on share options					227	227
Balance at 30 September 2010	<u>69,032</u>	<u>3,452</u>	<u>2,014</u>	<u>(375)</u>	<u>37,331</u>	<u>42,422</u>

Notes to the Half-Yearly Report

1. General Information

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

The statutory accounts for year ended 31 March 2010 have been filed with the Registrar of Companies. The auditors' report on these accounts was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

The Group's consolidated financial information has been prepared on the going concern basis and in accordance with accounting policies consistent with those adopted in the financial statements for the year ended 31 March 2010 and has been drawn up in accordance with International Accounting Standard 34, "Interim Financial Reporting".

This Half-Yearly Report was approved for issue by the Board of Directors on 22 November 2010.

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. However, due to the majority of our energy customers being on budget plans paying equal monthly instalments during the year, our cash flow generation is biased towards the first half of the year.

2. Operating segments

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

	6 months ended 30 September 2010 (unaudited)		6 months ended 30 September 2009 (unaudited)		Year ended 31 March 2010 (audited)	
	Revenue £'000	Segment Result £'000	Revenue £'000	Segment Result £'000	Revenue £'000	Segment Result £'000
Customer Management	144,472	10,301	122,414	8,049	364,890	21,655
Customer Acquisition	2,501	(2,545)	2,375	(2,604)	4,179	(5,475)
Total	146,973	7,756	124,789	5,445	369,069	16,180

Notes to the Half-Yearly Report (cont.)

	6 months ended 30 September 2010 (unaudited) £'000	6 months ended 30 September 2009 (unaudited) £'000	Year ended 31 March 2010 (audited) £'000
3. Dividends			
Final dividend for the year ended 31 March 2010 of 14p per share (2009: 12.5p)	9,604	8,526	8,526
Interim dividend for the year ended 31 March 2010 of 8.0p per share (2009: 5.0p)	-	-	5,463

An interim dividend of 8.0p per share will be paid on 4 January 2011 to shareholders on the register at close of business on 10 December 2010. The estimated amount of this dividend to be paid is £5.5 million and, in accordance with IFRS accounting requirements, has not been recognised in these accounts.

4. Earnings per share

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

Earnings for the purpose of basic and diluted earnings per share	6,414	4,314	13,442
	Number (000s)	Number (000s)	Number (000s)
Weighted average number of ordinary shares for the purpose of basic earnings per share	68,534	68,227	68,270
Effect of dilutive potential ordinary shares (share options)	487	595	551
Weighted average number of ordinary shares for the purpose of diluted earnings per share	69,021	68,822	68,821

Notes to the Half-Yearly Report (cont.)

5. Principal Risks

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

Reputation risk

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

Wholesale prices

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

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

The supply of energy, which has been accounting for an increasing proportion of our sales each year, has different risks associated with it. The wholesale price can be extremely volatile, and customer demand can be subject to considerable short term fluctuations depending on the weather. In March 2006, the Company entered into a relationship with npower under which they assumed the substantive risks and rewards of hedging and buying energy for our customers; this has enabled the Company to earn a positive contribution from providing energy since that date.

Bad debt risk on energy customers

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

Bad debt risk on telephony customers

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

Information technology risk

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

Competitive risk

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

Legislation and regulatory risk

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

Risk management

The business continues to develop and operate a consistent and systematic risk management process, which involves risk ranking, prioritisation and subsequent evaluation, with a view to ensuring all significant risks have been identified and prioritised, and systems of control are in place to manage such risks.