

Telecom *plus* PLC

Interim results for the six months ended 30 September 2008

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 interim results for the six months ended 30 September 2008.

Financial highlights

- Revenue up 25% to £88.9m (2007: £71.1m)
- Profit before tax up 55% to £9.8m (2007: £6.4m)
- Continued strong underlying cash generation; net cash £28.9m
- Earnings per share up 64% to 10.8p (2007: 6.6p)
- Interim dividend of 5p per share (2007: 4p)
- Intention to pay a total dividend for the current year, in the absence of unforeseen circumstances, of not less than 17.5p and to pay a total dividend of 22p for next year

Operating Highlights:

- Number of services up by 67,543 to 659,525 (31 March 2008: 591,982)
- Launch of new "CashBack Card" (in association with MasterCard), enabling our customers to save an extra 5% on all their shopping
- Purchase of new freehold offices in September 2008 in order to accommodate rapid organic growth
- Recognised by *Which?* magazine as the UK's best energy provider
- No financial exposure to volatility of wholesale energy prices
- Andrew Lindsay appointed Chief Operating Officer

Commenting on today's results, Charles Wigoder, Chief Executive, said:

"The improvements to our services announced in September have been extremely well received. As a result, we have experienced a significant increase in our growth rate since the period end. If this is sustained, then our customer base will double in size over the course of the next two years.

"We are an obvious beneficiary from consumers searching for a better value supplier, combined with an increasing pool of potential distributors as unemployment continues to rise.

"We currently have a UK market share of less than 1% for the various services we offer, and the organic growth opportunity open to us remains enormous. We are on target to report record revenue, record pre-tax profits and a record dividend for the full year, and look forward to the future with great confidence."

There will be a presentation for analysts at 11.30am; please contact Will Henderson at Smithfield on 020 7903 0671 / whenderson@smithfieldgroup.com for details

For more information please contact:

Telecom *plus* PLC

Charles Wigoder, Chief Executive
Richard Hateley, Finance Director

020 8955 5000

KBC Peel Hunt

Richard Kauffer / Nicholas Marren

020 7418 8900

Smithfield

Reg Hoare / Katie Hunt / Will Henderson

020 7360 4900

About Telecom *plus* PLC:

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 their market share.

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 period of substantial growth across all areas of our business.

Financial and Operating Review

Revenue for the first half of the financial year increased to £88.9m (2007: £71.1m), reflecting the increase in the size of our customer base and the number of services being provided to them, combined with the impact of higher retail energy prices. Pre-tax profits for the period rose by 55% to £9.8m (2007: £6.4m) and earnings per share increased to 10.8p (2007: 6.6p).

The higher gross profit for the period is a result of the more favourable wholesale prices we were able to achieve for a number of the services we supply. However, we do not expect these higher margins to be sustained, as we have made a conscious decision to improve our already strong competitive position still further by offering even more attractive pricing to our customers. This is evidenced by the timing of our new energy tariffs this Autumn, when we were the last major energy supplier to increase prices.

The economic climate continues to provide strong support for our position in the market as the sole integrated supplier of a wide range of essential utility services, combining the convenience of a single bill with substantial cost savings and exceptional customer service. We were extremely pleased to see these values recognised last month in a survey carried out by *Which?* magazine, when we were named as the UK's best energy provider. This follows on from our nomination as "Best Broadband Supplier" at their 2008 Consumer Awards in the Spring and their recognition of us as the top rated major supplier of landline telephony services in October last year.

Within our residential business, customer numbers have increased by over 19,000 since 31 March 2008 to 227,384 while our Business Club now has 12,374 customers, having increased by 2,837 over the same period. Overall, the number of services we are providing has increased by 67,543 to 659,525 since the year end, representing a fivefold increase on the 10,450 services added during the corresponding period last year, and an annualised growth rate of 22.8%. It is particularly encouraging that over 60% of this growth took place during the second quarter of the current financial year.

<u>Financial Period</u>	<u>Net growth in number of services provided</u>
Q1: 2007/08	3,792
Q2: 2007/08	6,658
Q3: 2007/08	16,253
Q4: 2007/08	23,239
Q1: 2008/09	26,339
Q2: 2008/09	41,204

On 28 September 2008 the Company held its annual Sales Conference, attended by almost 4,000 Distributors, at which we announced some significant changes to the way in which we promote our services. We also launched improvements to the underlying services themselves, including a Pay-as-you-Go mobile service, significant reductions in the cost of using our Home Phone service (including the UK's cheapest line rental at just £8.99 per month), and a new prepayment MasterCard ("CashBack Card") which gives our members the opportunity to receive an additional 5% discount on the cost of their shopping at a wide range of participating retailers (which they receive as a credit on their next utility bill from us). We also revamped our sales literature and updated our web presence to support all the new initiatives we have introduced.

In September, we completed the purchase of the freehold of Southon House, London and the adjoining multi-storey car park. This will provide the Company with the office space required to support the rapid organic growth in new customer and distributor numbers currently being experienced. Following phased refurbishment work, we intend to start taking occupation during Spring 2009.

Oxford Power Holdings, in which we have a 20% equity investment, continues to make satisfactory progress in building its market share, albeit at slightly lower margins than last year. Our share of its profits for the first half of the current year has fallen by approximately £275,000 to £125,000 (2007: £401,000) as a result of an increased provision for bad debts. However, as the majority of its profits are traditionally made during the winter months we expect that it will report a satisfactory result for the full year. It is extremely reassuring that the terms of their wholesale electricity supply arrangement with International Power (which has a 30% shareholding in Oxford Power Holdings) means it is not exposed to the problems which led to the recent demise of E4B and Bizz Energy, both of whom went into administration last month, and who were the only other serious independent electricity suppliers to commercial and industrial customers.

Cash Flow

Our underlying cash flow has remained strong. The closing net cash balance of £28.9m was slightly lower compared with the same time last year (2007: £36.8m) due to the purchase of new freehold offices for £9m (plus recoverable VAT of £1.5m) on 26 September 2008, referred to above. We also paid a final dividend for last year of £6.6m in August. All our cash is held on deposit at Barclays Bank plc and we have no debt.

Interim Dividend

In the light of our strong financial performance and continuing positive cash flow, the Board has decided to pay an interim dividend of 5p (2007: 4p) which will be made on 5 January 2009 to shareholders on the register on 12 December 2008. We have previously stated that we intend to pay a total dividend for the current year, in the absence of unforeseen circumstances, of not less than 17.5p and it remains our intention to propose a final dividend of 12.5p when we announce our figures for the full year towards the end of May 2009. We also re-iterate our intention, similarly subject to no unforeseen circumstances, to pay a total dividend of 22p for next year.

Appointment of new Executive Director

We are delighted to announce that we have invited our commercial director, Andrew Lindsay MBE, to become Chief Operating Officer and he is joining the board with immediate effect. Andrew joined the Company in April 2007, prior to which he was managing director of Ryness, a distributor and retailer of small household electrical items, where he had led a management buy-out some years previously. Before that, he was employed by Goldman Sachs as an analyst, and had also won a Gold Medal for Great Britain in the 2000 Olympic Games.

Principal Risks and Uncertainties

The principal risks and uncertainties affecting the Company's activities which are detailed on pages 14 and 15 of the Report and Accounts for the year ended 31 March 2008 are unchanged and are repeated in Note 5 to this Interim 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 Interim Results for the six months ended 30 September 2008, 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;
- 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:

Peter Nutting	Non-Executive Chairman
Charles Wigoder	Chief Executive
Richard Hateley	Finance Director
Andrew Lindsay	Chief Operating Officer (appointed 25 November 2008)
Keith Stella	Senior Non-Executive Director
Melvin Lawson	Non-Executive Director
Richard Michell	Non-Executive Director
Michael Pavia	Non-Executive Director

Outlook

Wholesale energy prices remain extremely volatile, and although these have fallen considerably over the last few months alongside the reduction in oil prices, the forward pricing curve for the first quarter of 2009 is still considerably higher than last year's level. Our wholesale purchasing arrangements with npower mean that we are not financially exposed to this volatility, and can continue to concentrate on our core strengths in customer acquisition and management.

The improvements to our services which we announced at our Sales Conference at the end of September have been extremely well received, and confidence within our distribution channel has never been higher. As a result, we have experienced a significant increase in our growth rate since the period end. If this is sustained, then our customer base will double in size over the course of the next two years.

We remain clearly focussed on further increasing our rate of organic growth over the coming months, in order to capitalise on the opportunities provided by the increasingly difficult general economic climate. We are an obvious beneficiary from consumers searching for a better value supplier, combined with an increasing pool of potential distributors as unemployment continues to rise. The recurring income we provide to our largely part-time network of independent distributors is becoming more attractive to an ever increasing range of people, as the broader economy continues to deteriorate.

We currently have a UK market share of less than 1% for the various services we offer, and the organic growth opportunity open to us remains enormous. We are on target to report record revenue, record pre-tax profits and a record dividend for the full year, and look forward to the future with great confidence.

Given on behalf of the Board

CHARLES WIGODER
Chief Executive
25 November 2008

RICHARD HATELEY
Finance Director

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 2008 which comprises the consolidated income statement, consolidated statement of changes in equity, consolidated balance sheet, consolidated cash flow statement 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 2008 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
25 November 2008

Consolidated Income Statement

	6 months ended 30 September 2008 (unaudited) £'000	6 months ended 30 September 2007 (unaudited) £'000	Year ended 31 March 2008 (audited) £'000
Revenue	88,939	71,069	186,458
Cost of sales	(67,043)	(56,495)	(150,478)
Gross profit	21,896	14,574	35,980
Distribution expenses	(4,342)	(3,353)	(8,566)
Administrative expenses	(8,680)	(6,143)	(13,454)
Operating profit	8,874	5,078	13,960
Net financial income	846	887	1,863
Share of profit of associates	125	401	939
Profit before taxation	9,845	6,366	16,762
Taxation	(2,641)	(1,828)	(4,808)
Profit for the period	7,204	4,538	11,954
Basic earnings per share	10.8p	6.6p	17.7p
Diluted earnings per share	10.7p	6.6p	17.6p
Interim dividend per share	5.0p	4.0p	

Consolidated Balance Sheet

	As at 30 September 2008 (unaudited) £'000	As at 30 September 2007 (unaudited) £'000	As at 31 March 2008 (audited) £'000
Assets			
Non-current assets			
Property, plant and equipment	9,843	969	866
Goodwill and intangible assets	3,745	3,755	3,749
Investments in associates	1,940	1,823	1,815
Deferred tax	1,681	852	1,361
Other receivables	1,510	873	1,036
Total non-current assets	18,719	8,272	8,827
Current assets			
Inventories	149	154	175
Trade and other receivables	4,004	3,344	5,126
Prepayments and accrued income	25,744	17,506	25,478
Cash and cash equivalents	28,854	36,806	30,331
Total current assets	58,751	57,810	61,110
Total assets	77,470	66,082	69,937
Current liabilities			
Trade and other payables	(3,128)	(5,202)	(6,075)
Current tax payable	(2,948)	(1,929)	(3,019)
Accrued expenses and deferred income	(37,270)	(30,070)	(28,409)
Total current liabilities	(43,346)	(37,201)	(37,503)
Total assets less total liabilities	34,124	28,881	32,434
Equity			
Share capital	3,452	3,452	3,452
Share premium	35	-	2
Treasury shares	(4,392)	(3,830)	(5,286)
Retained earnings	35,029	29,259	34,266
Total equity	34,124	28,881	32,434

Consolidated Cash Flow Statement

	6 months ended 30 September 2008 (unaudited) £'000	6 months ended 30 September 2007 (unaudited) £'000	Year ended 31 March 2008 (audited) £'000
Operating activities			
Operating profit	8,874	5,078	13,960
Depreciation of property, plant and equipment	247	232	480
Depreciation of intangible assets	4	7	12
Distribution from associated company	-	-	546
Profit on disposal of property, plant and equipment	-	-	(1)
Decrease in inventories	26	48	27
Decrease in trade and other receivables	382	11,042	1,127
Increase in trade and other payables	5,914	3,850	3,065
Costs attributed to the issue of share options	208	(114)	54
Corporation tax paid	(2,725)	(1,855)	(4,009)
Net cash flow from operating activities	12,930	18,288	15,261
Investing activities			
Purchase of property, plant and equipment	(9,224)	(318)	(464)
Sale of property, plant and equipment	-	2	3
Cash flow from investing activities	(9,224)	(316)	(461)
Financing activities			
Dividends paid	(6,656)	(4,142)	(6,815)
Net financial income	839	883	1,863
Issue of ordinary shares	-	122	122
Purchase of own shares	-	(3,830)	(5,659)
Sale of Treasury shares	634	-	219
Cash flow from financing activities	(5,183)	(6,967)	(10,270)
(Decrease) / increase in cash and cash equivalents	(1,477)	11,005	4,530
Cash and cash equivalents at the beginning of the period	30,331	25,801	25,801
Cash and cash equivalents at the end of the period	28,854	36,806	30,331

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 2007	68,929	3,446	19,444		9,458	32,348
Profit for the period ended 30 September 2007					4,538	4,538
Deferred tax on share options					(41)	(41)
					4,497	4,497
Dividends					(4,142)	(4,142)
Issue of share capital	103	6	116			122
Cancellation of share premium			(19,560)		19,560	-
Purchase of treasury shares				(3,830)		(3,830)
Credit arising on share options					(114)	(114)
Balance at 30 September 2007	69,032	3,452	-	(3,830)	29,259	28,881
Balance at 1 October 2007	69,032	3,452	-	(3,830)	29,259	28,881
Profit for the period ended 31 March 2008					7,416	7,416
Deferred tax on share options					252	252
					7,668	7,668
Dividends					(2,673)	(2,673)
Purchase of treasury shares				(1,829)		(1,829)
Sale of treasury shares			2	373	(156)	219
Credit arising on share options					168	168
Balances at 31 March 2008	69,032	3,452	2	(5,286)	34,266	32,434
Balance at 1 April 2008	69,032	3,452	2	(5,286)	34,266	32,434
Profit for the period ended 30 September 2008					7,204	7,204
Deferred tax on share options					300	300
					7,504	7,504
Dividends					(6,656)	(6,656)
Sale of treasury shares			33	894	(293)	634
Credit arising on share options					208	208
Balance at 30 September 2008	69,032	3,452	35	(4,392)	35,029	34,124

Notes to the Interim Report

1. General Information

The financial information contained in this Interim Report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. No statutory accounts for the period have been delivered to the Registrar of Companies. The financial information contained in this Interim Report has not been audited by the auditors.

The statutory accounts for year ended 31 March 2008 have been filed with the Registrar of Companies. The auditors' report on these accounts was unqualified and did not contain a statement under section 237(2) or 237(3) of the Companies Act 1985.

The Group's consolidated financial information has been prepared in accordance with accounting policies consistent with those adopted in the financial statements for the year ended 31 March 2008 and has been drawn up in accordance with International Accounting Standard 34, "Interim Financial Reporting".

This Interim Report has been approved for issue by the Board of Directors on 25 November 2008.

Seasonality of business: in respect of the energy supplied by the Company, 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. Business segments

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

	6 months ended 30 September 2008 (unaudited)		6 months ended 30 September 2007 (unaudited)		Year ended 31 March 2008 (audited)	
	Revenue £'000	Operating Profit £'000	Revenue £'000	Operating Profit £'000	Revenue £'000	Operating Profit £'000
Customer Management	87,191	10,721	70,054	6,732	184,145	17,566
Customer Acquisition	1,748	(1,847)	1,015	(1,654)	2,313	(3,606)
Total	88,939	8,874	71,069	5,078	186,458	13,960

Notes to the Interim Report (cont.)

	6 months ended 30 September 2008 (unaudited) £'000	6 months ended 30 September 2007 (unaudited) £'000	Year ended 31 March 2008 (audited) £'000
3. Dividends			
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 March 2008 of 10.0p per share (2007: 6.0p)	6,656	4,142	4,142
Interim dividend for the year ended 31 March 2008 of 4.0p per share (2007: 2.0p)	-	-	2,673
	-	-	2,673

An interim dividend of 5.0p per share will be paid on 5 January 2009 to shareholders on the register at close of business on 12 December 2008.

The estimated amount to be paid is £3.3 million. In accordance with IFRS accounting requirements this dividend 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

Earnings for the purpose of basic and diluted earnings per share	7,204	4,538	11,954
Number of shares	Number (000s)	Number (000s)	Number (000s)
Weighted average number of ordinary shares for the purpose of basic earnings per share	66,416	68,325	67,408
Effect of dilutive potential ordinary shares (share options)	833	413	353
Weighted average number of ordinary shares for the purpose of diluted earnings per share	67,249	68,738	67,761

Notes to the Interim 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. To avoid these, the Company decided in November 2005 to seek a relationship with a larger energy supplier which would preserve our integrated multi-utility business model whilst passing the substantive risks and rewards of hedging and buying energy to them. The transaction with npower which was completed on 31 March 2006 achieved these objectives, and 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 a potential new customer who is not considered credit worthy, the Company is obliged to supply domestic energy to anyone who submits a properly completed application form. Where such 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.