



PRESS INFORMATION

TELECOM *plus* PLC

9 June 2004

Preliminary results for the year ended 31 March 2004

Telecom *plus* plc, the UK's leading integrated multi-utility (gas, electricity, telephony, internet), announces preliminary results for the year ended 31 March 2004.

Financial and business highlights:

- Turnover up 41% to £81.8m (2003: £58.0m)
- Profits before tax up 90% to £10.6m (2003: £5.6m)
- Final dividend of 5.5p, total of 10.00p for the full year (2003: 5.75p)
- Earnings per share of 12.2p (2003: 6.8p)
- Subscriber base increased 33% to 178,000 (2003: 134,000)
- Number of services provided increased 39% to 312,000 (2003: 225,000)

Peter Nutting, Chairman, said:

“We have now successfully transformed ourselves from an alternative supplier of fixed-line telephony services into the UK's first low-cost integrated multi-utility offering gas, electricity, fixed telephony, mobile telephony and internet services.

“We are particularly encouraged by the initial response to our introduction of the Utility Warehouse Discount Club concept during October 2003 (a refinement of the new brand we had launched a year earlier), which has led to a marked increase in the average number of services being taken by each new member.

“The combination of our unique multi-service utility proposition, the successful introduction of our new “Club” concept and the exceptional value we are providing to our customers give us great confidence in our ability to deliver sustained growth over the coming years.”

For press enquiries, please contact:

Charles Wigoder
Telecom *plus* PLC
020 8955 5000

Neil Boom/Sophie Betts
Gresham PR Ltd.
020 7404 9000

TELECOM *plus* PLC **CHAIRMAN'S STATEMENT**

I am pleased to report a further strong set of results, reflecting significant progress across all areas of our business. We have now successfully transformed ourselves from an alternative supplier of fixed-line telephony services into the UK's first low-cost integrated multi-utility offering gas, electricity, fixed telephony, mobile telephony and internet services.

Pre-tax profits for the year rose by 90% to £10.6m (2003: £5.6m) on turnover which was ahead 41% to £81.8m (2003: £58.0m). This reflected another strong performance from our Virtual Network business where operating profits increased by 65% to £13.8m (2003: £8.4m), partially offset by a higher investment within our Distribution business of £3.5m (2003: £3.1m).

We ended the financial year with 178,000 customers (2003: 134,000), subscribing for over 312,000 services (2003: 225,000), an increase in services provided of almost 40% during the year. We are particularly encouraged by the initial response to our introduction of the Utility Warehouse Discount Club concept during October 2003 (a refinement of the new brand we had launched a year earlier), which has led to a marked increase in the average number of services being taken by each new member.

The supply of gas and electricity is beginning to represent a material proportion of group turnover, accounting for 19% of our Virtual Network business during the year (2003: 11%). Due to the strong demand for energy from new customers, we anticipate this will increase further to around 30% of group turnover during the current year.

The two investments which we made during 2002, TML (our wholly owned subsidiary) and Oxford Power Holdings (trading as Opus, and in which we hold a 15.8% equity interest), continue to perform in line with expectations. TML generated a contribution of around £1.2m to group profits (after goodwill amortisation of £0.5m), and Opus has recently achieved profitability at the Operating Profit Level (before direct costs relating to growing their customer base).

Confidence within our distribution channel remains high, with a steady increase in the number of new distributors joining the business. During the last quarter alone, more than 1,500 new distributors joined the Company, taking the total at the year end to almost 13,000 (2003: 10,000). I would like to thank all of them for their important contribution to the continuing growth and success of the Company.

We continue to invest heavily in our call centre facilities. This has produced a significant improvement in the levels of service provided to our customers, with over 90% of all calls being answered within 15 seconds. This is a testament to the commitment and hard work of everyone involved in this important area of our activities.

In view of our solid balance sheet and continued cash generation, your Board is recommending a 69% increase in the final dividend to 5.5p (2003: 3.25p) making a total of 10p (2003: 5.75p) for the full year. This will be paid on 16 July 2004 to shareholders on the register on the 25 June 2004. The final dividend is subject to approval by shareholders at the Company's Annual General Meeting which is to be held on 15 July 2004. We remain committed to the continued profitable long term growth of the business and to maintaining a progressive dividend policy that reflects the Company's anticipated growth in earnings.

Outlook

Our recent decision to introduce free fixed-line calls between Club members has already resulted in a substantial uplift in Club membership, both from amongst our existing customers (who had not previously joined the Club), as well as from many new customers who are being referred to the Club in steadily increasing numbers by existing members. We believe this kind of promotional activity is ideally suited to the distribution channel we use, and that the costs of providing these free calls will be substantially off-set by the increased growth and resultant economies of scale within our Virtual Network business.

The combination of our unique multi-service utility proposition, the successful introduction of our new “Club” concept and the exceptional value we are providing to our customers give us great confidence in our ability to deliver sustained growth over the coming years.

Margins in fixed telephony, mobile telephony, internet and electricity all remain extremely satisfactory, however our gas supply business is suffering from severe margin pressure as a result of the sharp increase in wholesale prices which have not yet been fully reflected in end-user tariffs.

Although there are many competitors in each of our principal markets, the barriers to entry preventing others from emulating our integrated business model remain high. My Board colleagues and I continue to look forward with considerable optimism.

Peter Nutting

Chairman

8 June 2004

TELECOM *plus* PLC
Consolidated Profit & Loss Account
Year ended 31 March 2004

	Note	2004	2003
		£'000	£'000
Turnover		81,828	58,036
Cost of sales		(56,590)	(39,739)
Gross profit		25,238	18,297
Sales and marketing costs		(6,207)	(4,543)
Administrative expenses		(8,751)	(8,514)
Operating profit		10,280	5,240
Interest receivable		372	464
Interest payable		(20)	(116)
Profit on ordinary activities before taxation		10,632	5,588
Tax on profit on ordinary activities		(3,178)	(1,607)
Profit after taxation		7,454	3,981
Dividends	2	(6,159)	(3,424)
Retained profit for the year		1,295	557
Basic earnings per share	3	12.2p	6.8p
Diluted earnings per share	3	11.9p	6.6p
Dividend per share		10.00p	5.75p

The Group has no recognised gains or losses other than the profit for the period.

TELECOM *plus* PLC
Consolidated Balance Sheet
As at 31 March 2004

		<u>2004</u>		<u>2003</u>	
	£'000		£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	1,903			1,946	
Intangible assets	3,742			4,198	
Investments	<u>1,038</u>			<u>1,038</u>	
			6,683		7,182
CURRENT ASSETS					
Stocks	1,146			590	
Debtors (due within one year)	9,164			7,994	
Debtors (due after one year)	2,666			2,822	
Cash	<u>9,857</u>			<u>6,056</u>	
	22,833			17,462	
CREDITORS					
Amounts falling due within one year	<u>(16,502)</u>			<u>(13,418)</u>	
NET CURRENT ASSETS			<u>6,331</u>		<u>4,044</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			13,014		11,226
CREDITORS					
Amounts falling due after more than one year (convertible debt instruments)			<u>—</u>		<u>(350)</u>
			<u>13,014</u>		<u>10,876</u>
CAPITAL AND RESERVES					
Called up share capital			3,076		3,002
Share premium account			6,625		5,856
Profit and loss account			3,313		2,018
SHAREHOLDERS' FUNDS			<u>13,014</u>		<u>10,876</u>

Approved by the board on 8 June 2004

TELECOM *plus* PLC
Consolidated Cash Flow Statement
Year ended 31 March 2004

	<u>2004</u>	<u>2003</u>
	£'000	£'000
Reconciliation of operating profit to cash flow from operating activities		
Operating profit	10,280	5,240
Goodwill amortisation	456	360
Depreciation	487	503
(Profit) on disposal of fixed assets	(28)	-
(Increase)/Decrease in stocks	(556)	737
(Increase) in debtors	(1,014)	(2,332)
Increase in creditors	481	818
Amortisation of loan stock issue costs	24	25
Net cash flow from operating activities	<u><u>10,130</u></u>	<u><u>5,351</u></u>

CASH FLOW STATEMENT

Net cash flow from operating activities	10,130	5,351
Returns on investments and servicing of finance	346	319
Capital expenditure	(416)	(363)
Acquisitions	-	(5,461)
Corporation tax paid	(2,109)	(1,952)
Dividends paid	(4,717)	(2,903)
Net cash flow before management of liquid resources and financing	3,234	(5,009)
Management of liquid resources	-	2,541
Financing	567	103
Increase/(Decrease) in cash	<u><u>3,801</u></u>	<u><u>(2,365)</u></u>
Reconciliation of net cash flow to movement in net funds		
Increase/(Decrease) in cash	3,801	(2,365)
Conversion of loan stock to equity shares	276	1,235
Cash released from liquid resources	<u>-</u>	<u>(2,541)</u>
Movement in net funds for the year	4,077	(3,671)
Net funds at 1 April 2003	<u>5,676</u>	<u>9,347</u>
Net funds at 31 March 2004	<u><u>9,753</u></u>	<u><u>5,676</u></u>

TELECOM *plus* PLC
NOTES

- 1 The financial information set out above does not constitute the Group's statutory information for the years ending 31 March 2004 or 2003, but is derived from these accounts. Statutory accounts for 2003 have been delivered to the Registrar of Companies and those for 2004 will be delivered following the Company's annual general meeting. The auditors have reported on these accounts, their reports were unqualified and did not contain statements under the Companies Act 1985, s237(2) or (3).

There have been no changes to the accounting policies of the Group as set out in the Report and Accounts for the year ended 31 March 2003

2 **DIVIDENDS**

	<u>2004</u>	<u>2003</u>
	£'000	£'000
Interim dividend paid 4.5p (2003: 2.5p) per share	2,765	1,472
Final dividend proposed 5.5p (2003: 3.25p) per share	<u>3,394</u>	<u>1,952</u>
	<u>6,159</u>	<u>3,424</u>

3 **EARNINGS PER SHARE**

The calculation of basic earnings per share is based on a profit of £7,454,000 (2003: £3,981,000) and a weighted average of 60,898,714 (2003: 58,671,471) shares in issue.

	<u>2004</u>	<u>2003</u>
Basic earnings per share	12.2p	6.8p
Diluted earnings per share	<u>11.9p</u>	<u>6.6p</u>

Diluted earnings per share assumes dilutive options and convertible loan notes have been converted into ordinary shares. The calculations are as follows:

	<u>2004</u>		<u>2003</u>	
	Profit	Shares	Profit	Shares
	£'000	No.	£'000	No.
Basic earnings	7,454	60,899	3,981	58,671
Dilutive effects:				
- Options	-	1,591	-	1,103
- Loan notes	1	208	36	761
	<u>0</u>			
Diluted earnings	<u>7,464</u>	<u>62,698</u>	<u>4,017</u>	<u>60,535</u>

4 TURNOVER AND SEGMENTAL ANALYSIS

The activities of the Group divide into two segments: the Distribution Business, which is responsible for obtaining new customers, and the Virtual Network Business, which supplies airtime, gas, electricity and value added services to those customers. All of its activities are carried out in the UK.

	<u>2004</u>	<u>2003</u>
	<u>£'000</u>	<u>£'000</u>
<i>Virtual Network</i>		
Turnover	79,004	55,187
Operating profit	13,770	8,352
Net assets	18,911	12,239
	<hr/> <hr/>	<hr/> <hr/>
<i>Distribution</i>		
Turnover	2,824	2,849
Operating loss	(3,490)	(3,112)
Net (liabilities)	(5,897)	(1,363)
	<hr/> <hr/>	<hr/> <hr/>