

TELECOMPLUSPLC

Embargoed until 0700

19 November 2019

Telecom Plus PLC

Half-Year Results for the Six Months ended 30 September 2019

Telecom Plus PLC (trading as the Utility Warehouse), the UK's only fully integrated provider of a wide range of competitively priced utility services spanning both the communications and energy markets, today announces its half-year results for the six months ended 30 September 2019.

Financial highlights:

- Revenue up 13.6% to £353m (2018: £311m)
- Adjusted profit before tax up 5.9% to £27.5m (2018: £26.0m)
- Statutory profit before tax up 9.2% to £21.1m (2018: £19.3m)
- Interim dividend increased by 8% to 27p per share (2018: 25p)

Operating highlights:

- Encouraging organic growth in line with expectations
- Customer numbers for the period up by 10,267 (2018: 10,479) to 645,306
- Total services supplied for the period up by 92,519 (2018: 86,372) to 2,624,543
- Glow Green (boilers) and UWHS (smart meters) rapidly gaining momentum

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

"Growth during the first half of the financial year saw a continuation of the encouraging performance we achieved during the corresponding period last year, with similar increases in both customer and service numbers. Our competitive position has recently improved following the reduction in the energy price cap from 1 October 2019, which will help drive an acceleration in growth during H2.

"In contrast to the majority of other energy suppliers, we remain both profitable and cash generative; revenues and profits have both reached record levels, and our balance sheet remains robust.

"I am particularly pleased at the progress within two of our most recent business initiatives, Glow Green and UWHS; each of these is delivering accelerating growth in the number of boilers and smart meters they are installing respectively.

"Over the last 10 weeks we have seen a significant increase in the number of new Partners joining the business; this is an encouraging lead indicator for the rate of future customer growth over the coming months. We look forward to building on the current strong momentum, and delivering full-year adjusted profits of £60m-£65m in line with the guidance previously provided."

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Analyst presentation

Telecom Plus will host an analyst presentation at 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 the communications, energy and insurance markets.

Members benefit from the convenience of a single monthly bill, consistently good value across all their utilities and exceptional levels of service. The Company does not advertise, relying instead on "word of mouth" recommendation by existing satisfied Members and 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.

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Interim Management Report

Financial and Operating Review

Results

Half year to 30 September	Adjusted			Statutory		
	2019	2018	Change	2019	2018	Change
Revenue	353,207	310,809	13.6%	353,207	310,809	13.6%
Profit before tax	27,523	25,983	5.9%	21,074	19,300	9.2%
Basic earnings (per share)	27.5p	26.9p	2.2%	19.4p	18.5p	4.9%
Interim dividend (per share)	27.0p	25.0p	8.0%	27.0p	25.0p	8.0%

In order to provide a clearer understanding of the underlying trading performance of the Group, adjusted profit before tax and adjusted basic EPS exclude: (i) share incentive scheme charges; and (ii) the amortisation of intangible assets arising on entering into the new energy supply arrangements with npower in December 2013. The amortisation of intangible assets has been excluded on the basis that it represents a non-cash accounting charge that does not impact the amount of profits available for distribution to shareholders. Adjusted profit before tax also excludes the share of the loss for the period attributable to the 25% non-controlling interest in Glow Green.

We have seen a strong start to the current year, with revenues, profits, customer and service numbers all increasing in line with expectations.

Adjusted profit before tax increased by £1.5m to £27.5m (2018: £26.0m) on higher revenues of £353.2m (2018: £310.8m). Adjusted earnings per share increased by 2.2% to 27.5p (2018: 26.9p). Statutory profit before tax increased by 9.2% to £21.1m (2018: £19.3m), after intangible amortisation of £5.6m (2018: £5.6m) and share incentive scheme charges of £0.7m (2018: £1.0m).

The interim dividend is being increased by 8% to 27p per share (2018: 25p) and will be paid on 13 December 2019 to shareholders on the register on 29 November 2019; the Company's shares will go ex-dividend on 28 November 2019.

We maintain our dividend guidance for the full year of 57p (2018: 52p) per share.

Revenues

The growth in revenue exceeded the increase in service numbers, due mainly to seasonally normal gas consumption and higher energy prices during the period (the corresponding period in the prior year was anomalously mild).

Gross margin fell slightly to 22.4% (2018: 23.0%), which primarily reflects a change in our service mix, with an increasing proportion of revenue derived from supplying lower margin energy services due to a rise in the Ofgem price cap on 1 April 2019. This was partly offset by a modest contribution from our revised energy supply agreement with npower which took effect at the start of the period.

Costs

Distribution expenses increased to £13.2m (2018: £12.7m), reflecting continuing organic growth and rising service numbers.

Overall administrative expenses before amortisation rose by £5.5m to £38.4m (2018: £32.9m) due to a combination of factors including: (i) growth in the volume and range of services we are providing; (ii) higher technology costs relating to updating our core CRM systems, developing new tools to support our Partner network, and enhancing information security; (iii) the acceleration of our smart meter rollout programme; (iv) higher regulatory costs; and (v) annual inflation-linked increases in staff pay. In addition, we continue to invest in strengthening the senior management team to support an acceleration in our current organic growth.

Cash Flow

Our operating cash flow increased to £27.2m (2018: £24.0m), broadly reflecting the level of adjusted profit during the period. The working capital inflow was largely offset by increased corporation tax payments reflecting the changes introduced by HMRC to the quarterly instalment payments regime for large companies. Capital expenditure of £3.8m (2018: £3.0m) related primarily to our ongoing technology investment programme. Net debt during the period increased marginally to £40.7m (31 March 2019: £37.0m), in part reflecting the £3.6m adjustment to liabilities required under the new lease accounting standard (IFRS 16). At this level, the ratio of net debt to EBITDA (on a 12-month rolling basis) remains low at around 0.6x, underpinning our progressive dividend policy.

Tax

Our effective tax rate for the first half was 28.4% (2018: 25.6%); this remains higher than the underlying rate of corporation tax due mainly to the ongoing amortisation charge on our energy supply contract intangible asset (which is not an allowable deduction for tax purposes), and a reduction in the deferred tax asset associated with unexercised employee share options.

Our Multi-Service Retail Proposition

We remain the only fully integrated multi-utility provider in the UK, offering consumers the simplicity and convenience of having all their core household services on a single bill. Members taking multiple utilities from us receive a differentiated solution that they cannot get from any other provider.

We are committed to being the Nation's most trusted utility supplier, as evidenced by our longstanding policy of not charging a 'loyalty penalty' on any of our services - a practice that is endemic amongst our competitors and which has now started to catch the attention of regulators. This approach, combined with the growing proportion of Members taking all our core services, creates significantly greater shareholder value over the medium term through lower churn and longer average customer lifetimes.

The number of Members and services for the period increased by 10,267 (2018: 10,479) and 92,519 (2018: 86,372) respectively; both Member and service numbers were marginally impacted during the period by the one-off migration of our CashBack card base from MasterCard to Visa.

	H1 FY 2020	FY2019	H1 FY 2019
Partners	43,111	41,797	40,116
Members			
Residential Club	619,336	608,371	594,220
Business Club	25,970	26,668	26,998
Total	645,306	635,039	621,218
Services			
Electricity	588,138	579,603	565,463
Gas	477,499	470,227	458,071
Fixed Telephony (calls and NGN)	349,136	338,439	329,186
Fixed Telephony (line rental)	338,368	326,766	316,594
Broadband	317,320	304,678	293,462
Mobile	267,427	252,206	236,698
CashBack Card	264,823	245,620	218,913
Insurance services	21,832	14,485	8,704
Total	2,624,543	2,532,024	2,427,091
Residential Club	2,551,545	2,455,698	2,349,630
Business Club	72,998	76,326	77,461
Total	2,624,543	2,532,024	2,427,091

The table above excludes the customer and service numbers of TML; Insurance services includes Home Insurance and Home & Boiler Care policies

The quality of our membership base continued to improve during the period, with a further rise in the proportion of new members taking all our core services (energy, broadband and mobile) at the point of sign up; these high value Members now represent over 25% of our residential membership base. Not only do these Members generate the highest revenues, but more importantly they have the lowest churn, meaning that their lifetime value is many times higher than those taking fewer services from us.

Service

We remain focussed on delivering consistently high standards of service, as evidenced by our rating on Trust Pilot and the regular endorsements we receive from independent consumer organisations such as *Which?* and Moneywise.

Recent awards have included being ranked as one of the best suppliers by *Which?* for broadband and mobile in their latest reports into these markets, and winning four categories in the MoneyWise Home Finance Awards for 2019 as 'Best Value for Money', 'Best Customer Service', 'Best for Clarity of Bills' and 'Best Money Saving Tips and Gadgets'.

Churn

Our annualised churn for the period increased marginally to 12.5% (2018: 11.9%). This reflects higher energy prices from 1 April 2019 in line with the prevailing price cap level set by Ofgem, partially offset by the steadily improving quality of our membership base.

Notwithstanding record levels of switching within the domestic energy market as a whole, where annualised churn is now running at over 20%, we expect our own churn to fall over the coming years as the proportion of members taking all their core services from us continues to grow.

Our Partners – a unique route to market

We have created an exciting business opportunity, which combines meaningful short-term financial rewards with a secure and growing long-term residual income. This enables people from every background and walk of life (our 'Partners') to create real financial security for themselves and their families by using their spare time to sign up new Members and introduce our business to other like-minded people.

This unique route to market gives us a significant competitive advantage, enabling us to effectively communicate the benefits of our multi-utility proposition to high quality customers who in many cases have never previously switched their supplier(s).

Around 4,000 of our Partners joined us on the 7th and 8th September at motivational sales conferences in Harrogate and Cheltenham. Key announcements included further steps to make our customer proposition more attractive, enhancing the compensation plan to encourage Partners to work more closely with their new recruits, and new incentives to reward higher levels of productivity. These initiatives were well received and have resulted in a significant increase in the number of new Partners joining the business over the last 10 weeks; this is an encouraging lead indicator for the rate of future customer growth over the coming months.

Our Car Plan remains extremely popular, with 49 new vehicles supplied during the period; since introducing the scheme, over 1,100 Partners have now taken delivery of a Utility Warehouse branded BMW Mini or X5.

Energy

A further nine independent energy suppliers exited the market this year, taking the total to over 25 since the start of 2018. The most surprising aspect of this is how long it has taken for the providers of capital, the regulator and the press to recognise the inherent unsustainability of a marketplace increasingly populated by near identical, sub-scale, high-churning, undercapitalised and unprofitable independent energy suppliers.

In the face of this rising tide of failures, Ofgem introduced tougher requirements for new entrants over the summer, and is currently consulting on appropriate new measures of financial resilience and customer service that could be imposed upon existing suppliers. Despite this representing yet another regulatory burden, we are broadly supportive of this initiative as the hidden cost to the energy industry (and therefore ultimately on customers through higher prices) of the mutualisation of debts left behind by repeated independent energy companies exiting the market is significant.

Both the government and Ofgem should be commended for their roles in introducing and managing the Price Cap, which has created a fairer energy market, reduced the loyalty penalty faced by those who have better things to do with their time than switch supplier(s) on an annual basis, and reduced predatory pricing activity by the former 'Big 6' suppliers which was distorting competition.

In contrast to the uncertain futures of many other energy suppliers, our strong balance sheet, profitable multi-service business model and unique route to market, place us in a strong position to continue growing our market share.

Smart meter rollout programme

We established our own licensed Meter Operator under the 'UW Home Services' brand last autumn, with the objective of implementing our smart meter rollout programme more efficiently, and providing a better experience to our members.

We are delighted with the progress that they have made over the course of the year, and the way they successfully navigated the transition from installing first generation meters to second generation meters over the course of the summer.

We successfully installed 44,000 meters during H1, taking our installed base of smart meters to over 40% of our residential meter portfolio, comfortably ahead of the average level achieved across the industry.

UW Home Services is rapidly gathering momentum: the number of trained engineers has doubled to around 120 over the last six months, and is on track to reach over 300 by the end of March; this will enable us to accelerate our rollout during H2.

Glow Green – our boiler installation division

We are excited by the momentum which has been building within Glow Green this year. Although the business was loss-making during the period, its financial performance has been improving steadily, and it is on track to make a modest positive contribution for the full year.

The supply, installation and servicing of domestic boilers is a highly fragmented £1bn-a-year business in the UK, dominated by British Gas; this creates a significant medium-term opportunity for us to build a material new revenue stream.

Project Daffodil – a valuable and unique environmental initiative

This initiative enables Members switching all their services to us, to have all their light bulbs replaced with the latest LED equivalent, reducing their energy bills and generating a significant environmental benefit. It also helps our Partners to gather high quality customers in significant quantities, with an increase in expected customer lifetime that more than compensates for the marginal extra cost of providing this benefit.

We are proud to have physically installed over 3.5m low energy light bulbs in over 120,000 homes throughout the UK over the last four years, and the substantial positive ongoing impact this is having on the environment.

Telephony and Broadband

We are pleased that in a broadly flat overall market, and against a continuing highly competitive background, our market share for all the communication services we provide continues to increase.

A key focus over the last year has been promoting the benefits of fibre broadband to our members, ensuring they receive a fast and reliable high-quality service, commensurate with their needs. As a result, the proportion of our broadband base taking one of our Ultra services had risen to over 40% by the end of H1.

The penetration of Mobile telephony within our membership base now exceeds 40% for the first time, reflecting a doubling in the number of Members choosing us as their mobile supplier over the last five years. Given the ubiquitous nature of this service, we believe there is scope to achieve significant further growth in our mobile numbers over the coming years.

We were pleased to receive further recognition from *Which?* during 2019, being ranked as one of the top three suppliers in both their Mobile and Broadband surveys.

Insurance

We are steadily building a high-quality home insurance book, with renewal rates consistently running at around 95%. This is an unprecedented level within the sector, reflecting our approach of providing 'everyday low prices' rather than discounted introductory deals, and giving us confidence that over time this new service will generate significant shareholder value.

Overall policy numbers increased by 50% during H1 to almost 22,000, assisted by the launch of a new Home and Boiler Care product in March; we anticipate adding a similar number of policies during H2.

We remain focussed on steadily building scale for our current product range, expanding our existing home insurance panel, and increasing the conversion ratio amongst those showing interest in these products, whilst maintaining the robust margins we are generating from this new business area. In the longer term we expect to launch further complementary insurance products to our membership base.

Outlook

We are starting to see an increasing focus by regulators (Ofgem, Ofcom and the FCA) on the so-called 'loyalty penalty' - the practice adopted by many other suppliers of broadband, mobile, insurance and energy services of charging their loyal existing customers significantly higher prices than the introductory deals they offer to new customers.

The regulators' clear agenda is to make these markets fairer, which is likely to result in progressively higher prices being charged to the relatively small proportion of consumers switching regularly, and lower prices being paid by those who don't. As these changes take effect, we expect our own proposition (which is based on long-term fair pricing) to become even more competitive, driving confidence amongst our Partners, and a further acceleration in our growth.

Uniquely amongst larger energy suppliers, we have continued to grow both profits and customer numbers following the announcement of the Ofgem price cap; over the same period, a steady stream of small and medium sized independent suppliers have ceased trading, having grown their customer numbers rapidly but with high churn and escalating financial losses.

We are pleased that the encouraging trends in the number and quality of new Members being gathered that we reported in June have continued, with the proportion switching their energy, broadband and mobile services to us continuing to run at record levels.

We are on track to deliver growth in customer and service numbers ahead of last year's stronger performance, and re-iterate our full year guidance for adjusted profit before tax and dividends of £60m-£65m and 57p respectively.

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 predominantly 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 developing new services, and in enhancing current ones, careful consideration is given to the likely impact of such changes on existing Members.

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 reliant on its in-house developed and supported systems for the successful operation of its business model. Any failure in the operation of these systems could negatively impact service to Members, undermine Partner confidence, and potentially be damaging to the Group's brand. Application software is developed and maintained by the Group's Technology team to support the changing needs of the business using the best 'fit for purpose' tools and infrastructure. The Technology team is made up of highly skilled, motivated and experienced individuals.

Changes made to the systems are prioritised by business 'Product Managers' who clarify system needs. They work with the Technology teams undertaking the change to ensure a proper understanding and successful outcome. Changes are tested as extensively as reasonably practicable before deployment. Review and testing are carried out at various stages of the development by both the Technology team and the operational department who ultimately take ownership of the system.

The Group has strategic control over the core Member and Partner platforms including the software development frameworks and source code behind these key applications. The Group also uses strategic third-party vendors to deliver solutions outside of our core competency. This largely restricts our counterparty risks to services that can be replaced with alternative vendors if required, albeit this could lead to temporary disruption to the day-to-day operations of the business.

Monitoring, backing up and restoring of the software and underlying data are made on a regular basis. Backups are securely stored or replicated to different locations. Disaster recovery facilities are either provided through third-party hosting services or in certain cases maintained in a warm standby state in the event of a failure of the main system. These facilities are designed to ensure a near-seamless service can be maintained for Members.

Data security risk

The Group processes sensitive personal and commercial data and in doing so is required by law to protect customer and corporate information and data, as well as to keep its infrastructure secure. A breach of security could result in the Group facing prosecution and fines as well as loss of business from damage to the Group's reputation. Recovery could be hampered due to any extended period necessary to identify and recover a loss of sensitive information and financial losses could arise from fraud and theft. Unplanned costs could be incurred to restore the Group's security.

The Group has deployed both a consumer-facing and enterprise layered security strategy, providing effective control to mitigate the relevant threats and risks. External consultants conduct regular penetration testing of the Group's internal and external systems and network infrastructure.

The Information Commissioner's Office ('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.

Information security risks are overseen by the Group's Legal and Compliance team who are supported by security specialists.

Legislative and regulatory risk

The Group is subject to varying laws and regulations, including possible adverse effects from European regulatory intervention. The energy and communications 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 licensed 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 licensed 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. An investigation into the Group's debt management processes announced by Ofgem in June 2018 remains ongoing, and any potential exposure is not considered likely to be material.

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, 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 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 price 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 buying and hedging energy for the Group's Members, and where the price paid by the Group to cover commodity, balancing, transportation, distribution, agreed metering, regulatory and certain other associated supply costs 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, which is set at the start of each quarter; this may not be competitive against the equivalent supply costs incurred by new and/or other independent suppliers. In addition, the timing of any quarterly price changes under the npower arrangement may not align with changes in retail prices, creating temporary short-term fluctuations in the underlying margins earned by the Group from supplying energy. 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 some of the Group's 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 in part reliant on third party suppliers to fully 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. In order to mitigate this risk the Group regularly monitors the performance of third party meter operators and addresses any issues as they arise.

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 or other acts or omissions of meter operators,

e.g. the escape of gas in a Member's property causing injury or death. The Group mitigates this risk through using reputable third party meter operators and through the establishment of the Group's own meter operator UW Home Services Limited.

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, and in common with all other licensed domestic gas suppliers the Group is responsible for meeting its pro-rata share of the total leakage cost. There is a risk that the level of leakage in future could be higher than 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. The Group seeks to mitigate this risk through its remuneration policy.

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. In order to mitigate, where possible, the impact of this risk the Group has in place appropriate disaster recovery arrangements.

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. This risk is mitigated through conducting appropriate pre-acquisition due diligence where relevant.

UK withdrawal from the EU risk

The Directors do not anticipate that, as a UK centric business supplying core household services (where any increases in costs tend to be passed through into retail prices), the UK's potential withdrawal from the EU ("Brexit") will have any material negative impact on the Group's earnings or growth. It is not expected that Brexit will have a significant impact on the security of supply of the services the Group provides given its arrangements with key suppliers.

It is possible that if Brexit has a meaningful negative impact on the UK economy in the short term, certain consumers may face temporary hardship. However, as a supplier of essential non-discretionary household services to a large and diverse customer base, it is not expected that this will have a material overall impact on the Company's sales levels and exposure to credit risk. Nonetheless the situation is being kept under review.

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.

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 £70m was drawn down at the period end. The Group has recently commenced discussions on refinancing these facilities and expects to complete this process by March 2020.

Under the Group's energy supply arrangements, the Group benefits from its relationship with npower who fund the principal seasonal working capital requirements relating to the supply of energy to the Group's Members.

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 2019, 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

18 November 2019

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 2019 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 2019 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.

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.

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.

Robert Seale
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London E14 5GL
United Kingdom

18 November 2019

Condensed Consolidated Interim Statement of Comprehensive Income

	Note	6 months ended 30 September 2019 (unaudited) £'000	6 months ended 30 September 2018 (unaudited) £'000	Year ended 31 March 2019 (audited) £'000
Revenue		353,207	310,809	804,438
Cost of sales		(273,914)	(239,240)	(654,874)
Gross profit		79,293	71,569	149,564
Distribution expenses		(13,224)	(12,741)	(25,981)
Share incentive scheme charges		(3)	(6)	(10)
Total distribution expenses		(13,227)	(12,747)	(25,991)
Administrative expenses		(38,442)	(32,890)	(67,916)
Share incentive scheme charges		(721)	(957)	(1,772)
Amortisation of energy supply contract intangible	5	(5,614)	(5,614)	(11,228)
Total administrative expenses		(44,777)	(39,461)	(80,916)
Other income		617	524	1,656
Operating profit		21,906	19,885	44,313
Financial income		164	79	206
Financial expenses		(996)	(664)	(1,520)
Net financial expense		(832)	(585)	(1,314)
Profit before taxation		21,074	19,300	42,999
Taxation		(5,994)	(4,945)	(10,174)
Profit for the period		15,080	14,355	32,825
Profit and other comprehensive income for the period attributable to owners of the parent		15,191	14,461	33,103
Loss for the period attributable to non-controlling interest		(111)	(106)	(278)
Profit for the period		15,080	14,355	32,825
Basic earnings per share	9	19.4p	18.5p	42.5p
Diluted earnings per share	9	19.3p	18.5p	42.3p
Interim dividend per share		27.0p	25.0p	

Condensed Consolidated Interim Balance Sheet

	Note	As at 30 September 2019 (unaudited) £'000	As at 30 September 2018 (unaudited) £'000	As at 31 March 2019 (audited) £'000
Assets				
Non-current assets				
Property, plant and equipment		34,917	28,726	30,579
Investment property	4	8,530	8,649	8,621
Intangible assets	5	170,089	177,351	173,655
Goodwill		5,324	5,245	5,324
Other non-current assets		21,939	16,069	19,052
Total non-current assets		<u>240,799</u>	<u>236,040</u>	<u>237,231</u>
Current assets				
Inventories		4,914	3,928	4,781
Trade and other receivables		48,089	42,236	48,450
Prepayments and accrued income		80,779	79,367	119,190
Cash		35,588	32,771	24,166
Total current assets		<u>169,370</u>	<u>158,302</u>	<u>196,587</u>
Total assets		<u>410,169</u>	<u>394,342</u>	<u>433,818</u>
Current liabilities				
Trade and other payables		(36,039)	(31,399)	(31,064)
Current tax payable		765	(6,085)	(5,065)
Accrued expenses and deferred income		(77,414)	(83,873)	(111,386)
Total current liabilities		<u>(112,688)</u>	<u>(121,357)</u>	<u>(147,515)</u>
Non-current liabilities				
Long term borrowings	6	(69,712)	(49,484)	(59,598)
Finance leases and other financial liabilities		(6,599)	(188)	(1,616)
Deferred tax		(844)	(797)	-
Total non-current liabilities		<u>(77,155)</u>	<u>(50,469)</u>	<u>(61,214)</u>
Total assets less total liabilities		<u>220,326</u>	<u>222,516</u>	<u>225,089</u>
Equity				
Share capital		3,954	3,934	3,950
Share premium		142,405	139,165	141,732
Capital redemption reserve		107	107	107
Treasury shares		(5,502)	(5,502)	(5,502)
JSOP reserve		(1,150)	(1,150)	(1,150)
Retained earnings		80,901	86,068	86,230
Non-controlling interest		(389)	(106)	(278)
Total equity		<u>220,326</u>	<u>222,516</u>	<u>225,089</u>

Condensed Consolidated Interim Cash Flow Statement

	Note	6 months ended 30 September 2019 (unaudited) £'000	6 months ended 30 September 2018 (unaudited) £'000	Year ended 31 March 2019 (audited) £'000
Operating activities				
Profit before taxation		21,074	19,300	42,999
Adjustments for:				
Net financial expense		832	585	1,314
Depreciation of property, plant and equipment		1,978	1,497	3,100
(Profit)/loss on disposal of fixed assets		(18)	-	1
Amortisation of intangible assets		6,597	6,175	12,509
Amortisation of debt arrangement fees		114	114	229
Decrease / (increase) in inventories		(133)	2,173	1,320
Decrease / (increase) in trade and other receivables		35,815	43,269	(5,695)
(Decrease) / increase in trade and other payables		(28,702)	(50,348)	(23,457)
Non-cash adjustments arising from IFRS 9 and 15		-	6,348	6,348
Non-cash adjustments arising from acquisitions		-	(859)	(834)
Share incentive scheme charges		724	963	1,783
Corporation tax paid		(11,057)	(5,197)	(12,148)
Net cash flow from operating activities		<u>27,224</u>	<u>24,020</u>	<u>27,469</u>
Investing activities				
Purchase of property, plant and equipment		(794)	(619)	(2,495)
Purchase of assets under finance leases		(1,637)	-	(1,557)
Purchase of intangible assets		(3,031)	(2,416)	(5,054)
Disposal of property, plant and equipment		36	-	5
Purchase of shares in subsidiaries acquired (net of cash acquired)		-	(663)	(709)
Interest received		193	61	167
Cash flow from investing activities		<u>(5,233)</u>	<u>(3,637)</u>	<u>(9,643)</u>
Financing activities				
Dividends paid	7	(21,100)	(20,257)	(39,739)
Interest paid		(1,253)	(735)	(1,310)
Drawdown of long term borrowing facilities		10,000	10,000	20,000
Finance leases for the purchase of fixed assets		1,637	-	1,557
Repayment of other borrowings		(530)	(143)	(274)
Issue of new B shares in subsidiary		-	1	1
Issue of new ordinary shares	8	677	113	2,696
Purchase of own shares		-	(4,742)	(4,742)
Cash flow from financing activities		<u>(10,569)</u>	<u>(15,763)</u>	<u>(21,811)</u>
Increase/(decrease) in cash and cash equivalents		11,422	4,620	(3,985)
Net cash and cash equivalents at the beginning of the period		<u>24,166</u>	<u>28,151</u>	<u>28,151</u>
Net cash and cash equivalents at the end of the period		<u>35,588</u>	<u>32,771</u>	<u>24,166</u>

Condensed Consolidated Interim Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares £'000	JSOP reserve £'000	Retained earnings £'000	Non- controlling interest £'000	Total £'000
Balance at 1 April 2018	3,930	139,055	107	(760)	(1,150)	85,833	-	227,015
Opening balance adjustments	-	-	-	-	-	5,068	-	5,068
Revised opening balances	3,930	139,055	107	(760)	(1,150)	90,901	-	232,083
Profit and total comprehensive income for the period	-	-	-	-	-	14,461	(106)	14,355
Dividends	-	-	-	-	-	(20,257)	-	(20,257)
Credit arising on share options	-	-	-	-	-	963	-	963
Issue of new ordinary shares	3	110	-	-	-	-	-	113
Issue of B shares in subsidiary	1	-	-	-	-	-	-	1
Purchase of treasury shares	-	-	-	(4,742)	-	-	-	(4,742)
Balance at 30 September 2018	3,934	139,165	107	(5,502)	(1,150)	86,068	(106)	222,516
Balance at 1 October 2018	3,934	139,165	107	(5,502)	(1,150)	86,068	(106)	222,516
Profit and total comprehensive income for the period	-	-	-	-	-	18,642	(172)	18,470
Dividends	-	-	-	-	-	(19,482)	-	(19,482)
Credit arising on share options	-	-	-	-	-	820	-	820
Deferred tax on share options	-	-	-	-	-	182	-	182
Issue of new ordinary shares	16	2,567	-	-	-	-	-	2,583
Balance at 31 March 2019	3,950	141,732	107	(5,502)	(1,150)	86,230	(278)	225,089
Balance at 1 April 2019	3,950	141,732	107	(5,502)	(1,150)	86,230	(278)	225,089
Opening balance adjustments	-	-	-	-	-	(26)	-	(26)
Revised opening balances	3,950	141,732	107	(5,502)	(1,150)	86,204	(278)	225,063
Profit and total comprehensive income	-	-	-	-	-	15,191	(111)	15,080
Dividends	-	-	-	-	-	(21,100)	-	(21,100)
Credit arising on share options	-	-	-	-	-	724	-	724
Deferred tax on share options	-	-	-	-	-	(126)	-	(126)
Retained earnings tax adjustments	-	-	-	-	-	8	-	8
Issue of new ordinary shares	4	673	-	-	-	-	-	677
Balance at 30 September 2019	3,954	142,405	107	(5,502)	(1,150)	80,901	(389)	220,326

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 2019, other than the first time adoption of new accounting standard IFRS 16 as detailed in Note 10, and are consistent with those that the Company expects to apply in its financial statements for the year ended 31 March 2020.

The condensed consolidated financial statements for the year ended 31 March 2019 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 2019 were audited and have been filed with the Registrar of Companies.

The Independent Auditor’s Report on the Annual Report and Accounts of Telecom Plus PLC for the year ended 31 March 2019 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 2019 and 30 September 2018 is unaudited but has been subject to a review by the Company’s auditors.

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

The Half-Year Results were approved for issue by the Board of Directors on 18 November 2019.

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 2019.

3. Operating segments

	6 months ended 30 September 2019 (unaudited)		6 months ended 30 September 2018 (unaudited)		Year ended 31 March 2019 (audited)	
	Revenue £'000	Segment Result £'000	Revenue £'000	Segment Result £'000	Revenue £'000	Segment Result £'000
Customer Management	343,395	31,067	302,346	30,464	784,973	63,862
Customer Acquisition	9,812	(9,161)	8,463	(10,579)	19,465	(19,549)
Total	353,207	21,906	310,809	19,885	804,438	44,313

	As at 30 September 2019 (unaudited) £'000		As at 30 September 2018 (unaudited) £'000		As at 31 March 2019 (audited) £'000	
	Customer Management	402,580	386,949	421,312		
Customer Acquisition	7,589	7,393	12,506			
Total Assets	410,169	394,342	433,818			
Customer Management	(187,124)	(168,768)	(205,558)			
Customer Acquisition	(2,719)	(3,058)	(3,171)			
Total Liabilities	(189,843)	(171,826)	(208,729)			

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 2019	224,563	13,404	237,967
Additions	-	3,031	3,031
At 30 September 2019	<u>224,563</u>	<u>16,435</u>	<u>240,998</u>
Amortisation			
At 31 March 2019	(59,883)	(4,429)	(64,312)
Charge for the period	(5,614)	(983)	(6,597)
At 30 September 2019	<u>(65,497)</u>	<u>(5,412)</u>	<u>(70,909)</u>
Net book amount at 30 September 2019 (unaudited)	<u>159,066</u>	<u>11,023</u>	<u>170,089</u>
Net book amount at 31 March 2019 (audited)	<u>164,680</u>	<u>8,975</u>	<u>173,655</u>
Net book amount at 30 September 2018 (unaudited)	<u>170,294</u>	<u>7,057</u>	<u>177,351</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.

6. Interest bearing loans and borrowings

	6 months ended 30 September 2019 (unaudited) £'000	6 months ended 30 September 2018 (unaudited) £'000	Year ended 31 March 2019 (audited) £'000
Bank loans	70,000	50,000	60,000
Unamortised loan arrangement fees	(288)	(516)	(402)
	<u>69,712</u>	<u>49,484</u>	<u>59,598</u>
Due within one year	-	-	-
Due after one year	70,000	50,000	60,000
	<u>70,000</u>	<u>50,000</u>	<u>60,000</u>

7. Dividends

	6 months ended 30 September 2019 (unaudited) £'000	6 months ended 30 September 2018 (unaudited) £'000	Year ended 31 March 2019 (audited) £'000
Final dividend for the year ended 31 March 2019 of 27p per share	21,100	-	-
Final dividend for the year ended 31 March 2018 of 26p per share	-	20,257	20,257
Interim dividend for the year ended 31 March 2019 of 25p per share (2018: 24p)	<u>-</u>	<u>-</u>	<u>19,482</u>

An interim dividend of 27.0p per share will be paid on 13 December 2019 to shareholders on the register at close of business on 29 November 2019. The estimated amount of this dividend to be paid is approximately £21.1m and, in accordance with IFRS accounting requirements, has not been recognised in these accounts.

8. Share capital

During the period the Company issued 76,862 new ordinary shares to satisfy the exercise of employee and distributor share options.

9. Earnings per share

	6 months ended 30 September 2019 (unaudited)	6 months ended 30 September 2018 (unaudited)	Year ended 31 March 2019 (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	15,191	14,461	33,103
Share incentive scheme charges (net of tax)	668	890	1,649
Amortisation of energy supply contract intangible assets	5,614	5,614	11,228
	<hr/>	<hr/>	<hr/>
Earnings excluding share incentive scheme charges for the purpose of adjusted basic and diluted EPS	21,473	20,965	45,980
	<hr/>	<hr/>	<hr/>
	Number (‘000s)	Number (‘000s)	Number (‘000s)
Weighted average number of ordinary shares for the purpose of basic EPS	78,152	77,988	77,975
Effect of dilutive potential ordinary shares (share incentive awards)	452	252	335
	<hr/>	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted EPS	78,604	78,240	78,310
	<hr/>	<hr/>	<hr/>
Adjusted basic EPS ¹	27.5p	26.9p	59.0p
Basic earnings per share	19.4p	18.5p	42.5p
	<hr/>	<hr/>	<hr/>
Adjusted diluted earnings per share ¹	27.3p	26.8p	58.7p
Diluted earnings per share	19.3p	18.5p	42.3p
	<hr/>	<hr/>	<hr/>

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.

10. Financial reporting standards applied for the first time in current year

Background

IFRS 16 (Leases) was applied for the first time as of 1 April 2019. The effects resulting from the first-time application are detailed in this section. Details of the nature of the expected impact of IFRS 16 was set out on pages 103 to 104 of the Company's Annual Report for the year ended 31 March 2019.

The Company has decided to apply IFRS 16 in modified form retrospectively for the first time as at 1 April 2019, without restating the prior-year figures, accounting for the aggregate amount of any transition effects by way of an adjustment to equity and presenting the comparative period in line with previous standards.

The effect that the first-time application of IFRS 16 had on retained earnings and other comprehensive income in the statement of comprehensive income in the current period are detailed in the tables below.

Retained earnings reconciliation IFRS 16

	£'000	£'000
Retained earnings as at 31 March 2019		86,230
Effects of IFRS 16		(26)
<i>of which increase in accumulated depreciation costs</i>	(330)	
<i>of which increase in accumulated interest costs</i>	(59)	
<i>of which decrease in accumulated property lease rental costs</i>	363	
Retained earnings as at 1 April 2019		86,204

Impact of IFRS 16 on the Balance Sheet as at 30 September 2019

	As at 30 September 2019 (unaudited) Before accounting changes	Changes in recognition	As at 30 September 2019 (unaudited) After accounting changes
	£'000	£'000	£'000
Property, plant and equipment	31,325	3,592	34,917
Lease liabilities	(2,966)	(3,633)	(6,599)
Retained earnings	80,942	(41)	80,901

Impact of IFRS 16 on the Statement of Comprehensive Income for the period ended 30 September 2019

	6 months ended 30 September 2019 (unaudited) Before accounting changes	Changes in recognition	6 months ended 30 September 2019 (unaudited) After accounting changes
	£'000	£'000	£'000
Depreciation	(1,753)	(225)	(1,978)
Interest costs	(958)	(38)	(996)
Property lease rental costs	(246)	246	-

Reconciliation of finance lease liabilities to operating lease commitments

A reconciliation of the operating lease commitments as at 31 March 2019 set out in note 17 of the Annual Report to the opening finance lease liabilities under IFRS 16 as at 1 April 2019 is set out below:

	£'000	£'000
Operating lease commitments as at 31 March 2019		3,938
Effects of IFRS 16		(96)
<i>of which discounting</i>	(447)	
<i>of which other adjustments</i>	351	
Lease liabilities under IFRS 16 as at 1 April 2019		3,842

Summary of accounting policy changes – IFRS 16

The adoption of IFRS 16 has resulted in several operating leases relating to property being recognised on the balance sheet, as the distinction between operating and finance leases has been removed.

The Group has recognised right-of-use assets representing its right to use underlying assets, and corresponding lease liabilities representing its obligation to make lease payments. Right-of-use assets have been valued as equal to lease liabilities.

The lease term has been calculated as the non-cancellable period of the lease contract, except where the Group is reasonably certain that it will exercise contractual extension options. Operating lease expenses have been replaced by a depreciation expense on the right-of-use assets recognised and an interest expense.

Where the interest rate implicit in the lease cannot be readily determined, the Group's incremental borrowing rate has been used.

Lease payments for contracts with a duration of 12 months or less and/or contracts for which the underlying asset is of a low value have, where appropriate, continued to be expensed to the income statement on a straight-line basis over the lease term.

The Group has adopted IFRS 16 using the modified retrospective approach. Consequently, comparatives for the period ended 30 September 2018, and the year-end position as at 31 March 2019, have not been restated.