



Embargoed until 0700

29 November 2007

## **Telecom *plus* PLC**

### **Interim results for the six months ended 30 September 2007**

Telecom *plus* PLC, the UK's leading low-cost multi-utility supplier (gas, electricity, telephony, internet), announces preliminary results for the six months ended 30 September 2007.

#### **Financial Highlights:**

- Turnover up 4% to £71.1m (2006: £68.5m)
- Profit before tax up 15% to £6.4m (2006: £5.5m)
- Net cash balance up £11.0m during the period
- EPS up 16% to 6.6p (2006: 5.7p)
- Interim dividend of 4p per share (2006: 2p)

#### **Operating Highlights:**

- Number of services being provided up 10,450 during the period
- New Community Fundraiser opportunity
- Launch of "free" laptop offer
- Competitive new mobile tariffs

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

"The changes we made to our services at our sales conference last month have been extremely well received, and are already having a positive impact on our growth, churn and profitability. Although it is too early to assess the impact these will have over the longer term, we are confident that our results for the full year will be substantially ahead of the pre-tax profits of £11.6m reported for the year ended 31 March 2007."

There will be a meeting for analysts at Smithfield's offices at 10.15 for 10.30am today.

For more information please contact:

Telecom *plus* PLC

Charles Wigoder, Chief Executive

Richard Hateley, Finance Director

020 8955 5000

Smithfield

Tania Wild / Reg Hoare

020 7360 4900

## Interim Management Report

We are pleased to report a further period of satisfactory performance in the first half of the current year. We continue to manage the business in line with our strategy of becoming one of the UK's leading suppliers of utility services to the residential marketplace.

### Financial Review

Pre-tax profits rose by over 15% to £6.4m (2006: £5.5m) on a 4% increase in turnover to £71.1m (2006: £68.5m). This reflects the benefit from continued steady growth in the number of services we provide to our customers, partially offset by the effect of lower retail energy prices. Earnings per share increased by 16% to 6.6p (2006: 5.7p).

The reduction in our gross profit margin from 22.4% to 20.5% is due to the changing sales mix, where the proportion of turnover derived from energy and telephone line rental has increased to 64% (2006: 59%); there has also been a reduction in high margin telephony revenues following the change in our multi-utility benefit from "CashBack" to "Free UK Calls" in October 2006.

Oxford Power Holdings, in which we have a 20% equity investment, is trading significantly ahead of expectations. Our share of their profits for the first half of the current year has more than doubled to £401,000 (2006: £153,000) and they are on target to report pre-tax profits of around £6m for the full year. Our investment in this company clearly represents an increasingly valuable asset.

### Operating Review

Within our residential business, customer numbers have shown a marginal reduction since 31 March 2007 to 204,763, although our Business Club continues to show steady growth and now has over 7,800 customers. Overall, the number of services we are providing has increased by 10,450 to 552,489 over the period.

On 14 October 2007 the Company held its annual sales conference which was attended by almost 3,000 Distributors and staff. We announced some significant changes to the way in which we promote our services, as well as improvements to the underlying services themselves, including:

- a "free" laptop offer;
- internet phone lines;
- new mobile tariffs;
- a new Community Fundraiser opportunity; and
- premium membership options with enhanced benefits.

### Cash Flow

Cash Flow has remained strong with our cash balance increasing by £11m to £36.8m since the year end. This has been achieved during a period in which we spent £3.8m on buying back 2,118,000 shares (to be held in Treasury) at an average cost of 181p per share, following approval of our capital reduction exercise at this year's AGM (subsequently confirmed by the High Court), and also paid a final dividend for last year of £4.1m.

### Interim Dividend

In the light of our strong cash position, the Board have decided to pay an interim dividend of 4p (2006: 2p) which will be made on 7 January 2008 to shareholders on the register on 14 December 2007.

## Principal Risks and Uncertainties

The principal risks and uncertainties affecting the Company's activities are detailed on pages 8 and 9 of the Report and Accounts for the year ended 31 March 2007. A copy of the Report and Accounts is available on the Company's website at [www.telecomplus.co.uk/annualreport](http://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 2007, 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 listed in the Telecom *plus* PLC Report & Accounts for the year ended 31 March 2007.

## Outlook

Wholesale energy prices have increased substantially since the summer, and we anticipate that the "Big 6" retail energy suppliers will begin passing these through to their customers during the first quarter of 2008. Although we are no longer directly exposed to the wholesale markets or any volatility in short-term prices, we will nonetheless benefit from any widespread market move towards higher retail prices through increased turnover and an improvement in the net contribution we earn from supplying energy.

The changes we made to our services at our sales conference last month have been extremely well received, and are already having a positive impact on our growth, churn and profitability. Although it is too early to assess the impact these will have over the longer term, we are confident that our results for the full year will be substantially ahead of the pre-tax profits of £11.6m reported for the year ended 31 March 2007.

Given on behalf of the Board

**CHARLES WIGODER**  
Chief Executive  
28 November 2007

**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 2007 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 2007 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  
Registered Auditors

London, UK  
28 November 2007

## Consolidated Income Statement

	6 months ended 30 September 2007 (unaudited) £'000	6 months ended 30 September 2006 (unaudited) £'000	Year ended 31 March 2007 (audited) £'000
<b>Revenue</b>	71,069	68,499	176,065
Cost of sales	56,495	53,159	141,136
<b>Gross profit</b>	14,574	15,340	34,929
Distribution expenses	3,353	3,884	8,327
Administrative expenses	6,143	6,443	16,584
<b>Operating profit</b>	5,078	5,013	10,018
Financial income	887	356	1,105
Financial expenses	-	-	6
<b>Net financial income</b>	887	356	1,099
Share of profit of associates	401	153	473
<b>Profit before taxation</b>	6,366	5,522	11,590
Taxation	(1,828)	(1,611)	(2,982)
<b>Profit for the period</b>	4,538	3,911	8,608
<b>Basic earnings per share</b>	6.6p	5.7p	12.5p
<b>Diluted earnings per share</b>	6.6p	5.7p	12.5p
<b>Interim dividend per share</b>	4.0p	2.0p	

## Consolidated Balance Sheet

	As at 30 September 2007 (unaudited) £'000	As at 30 September 2006 (unaudited) £'000	As at 31 March 2007 (audited) £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	969	992	884
Goodwill and intangible assets	3,755	3,828	3,761
Investments in associates	1,823	1,101	1,422
Deferred tax	852	525	904
Other receivables	873	2,919	858
<b>Total non-current assets</b>	<b>8,272</b>	<b>9,365</b>	<b>7,829</b>
<b>Current assets</b>			
Inventories	154	393	202
Trade and other receivables	3,344	1,302	3,258
Prepayments and accrued income	17,506	19,047	28,649
Cash and cash equivalents	36,806	24,570	25,801
<b>Total current assets</b>	<b>57,810</b>	<b>45,312</b>	<b>57,910</b>
<b>Total assets</b>	<b>66,082</b>	<b>54,677</b>	<b>65,739</b>
<b>Current liabilities</b>			
Trade and other payables	(5,202)	(5,138)	(3,727)
Current tax payable	(1,929)	(1,900)	(1,969)
Accrued expenses and deferred income	(30,070)	(19,163)	(27,695)
<b>Total current liabilities</b>	<b>(37,201)</b>	<b>(26,201)</b>	<b>(33,391)</b>
<b>Total assets less total liabilities</b>	<b>28,881</b>	<b>28,476</b>	<b>32,348</b>
<b>Equity</b>			
Share capital	3,452	3,425	3,446
Share premium	-	19,121	19,444
Treasury shares	(3,830)	-	-
Retained earnings	29,259	5,930	9,458
<b>Total equity</b>	<b>28,881</b>	<b>28,476</b>	<b>32,348</b>

## Consolidated Cash Flow Statement

	6 months ended 30 September 2007 (unaudited) £'000	6 months ended 30 September 2006 (unaudited) £'000	Year ended 31 March 2007 (audited) £'000
<b>Operating activities</b>			
Operating profit	5,078	5,013	10,018
Depreciation of property, plant and equipment	232	224	447
Depreciation of intangible assets	7	66	133
Profit on disposal of property, plant and equipment	-	(44)	(44)
Decrease in inventories	48	119	310
Decrease in trade and other receivables	11,042	9,716	218
Increase in trade and other payables	3,850	3,526	10,647
Costs attributed to the issue of share options	(114)	219	425
Corporation tax (paid) / refunded	(1,855)	277	(1,402)
<b>Net cash flow from operating activities</b>	<b>18,288</b>	<b>19,116</b>	<b>20,752</b>
<b>Investing activities</b>			
Investment in Associates	-	(9)	(9)
Purchase of property, plant and equipment	(318)	(226)	(341)
Sale of property, plant and equipment	2	70	70
<b>Cash flow from investing activities</b>	<b>(316)</b>	<b>(165)</b>	<b>(280)</b>
<b>Financing activities</b>			
Dividend paid for the previous year	(4,142)	(684)	(2,062)
Interest received	883	356	1,105
Interest paid	-	-	(6)
Issue of ordinary shares	122	59	404
Purchase of own shares	(3,830)		
<b>Cash flow from financing activities</b>	<b>(6,967)</b>	<b>(269)</b>	<b>(559)</b>
<b>Increase in cash and cash equivalents</b>	<b>11,005</b>	<b>18,682</b>	<b>19,913</b>
Cash and cash equivalents at the beginning of the period	25,801	5,888	5,888
<b>Cash and cash equivalents at the end of the period</b>	<b>36,806</b>	<b>24,570</b>	<b>25,801</b>

## Consolidated Statement of Changes in Equity

	Ordinary Shares '000	Share Capital £'000	Share Premium £'000	Treasury Shares £'000	Retained Earnings £'000	Total £'000
<b>Balance at 1 April 2006</b>	68,429	3,421	19,065		2,469	24,955
Profit for the period ended 30 September 2006					3,911	3,911
Deferred tax on share options					15	15
					<u>3,926</u>	<u>3,926</u>
Dividends					(684)	(684)
Issue of share capital	75	4	56			60
Credit arising on share options					219	219
<b>Balance at 30 September 2006</b>	<u>68,504</u>	<u>3,425</u>	<u>19,121</u>		<u>5,930</u>	<u>28,476</u>
<b>Balance at 1 October 2006</b>	68,504	3,425	19,121		5,930	28,476
Profit for the period ended 31 March 2007					4,697	4,697
Deferred tax on share options					3	3
					<u>4,700</u>	<u>4,700</u>
Dividends					(1,378)	(1,378)
Issue of share capital	425	21	323			344
Credit arising on share options					206	206
<b>Balances at 31 March 2007</b>	<u>68,929</u>	<u>3,446</u>	<u>19,444</u>		<u>9,458</u>	<u>32,348</u>
<b>Balance at 1 April 2007</b>	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)
					<u>4,497</u>	<u>4,497</u>
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)
<b>Balance at 30 September 2007</b>	<u>69,032</u>	<u>3,452</u>	<u>-</u>	<u>(3,830)</u>	<u>29,259</u>	<u>28,881</u>

## 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 2007 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 2007 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 28 November 2007.

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 to 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 2007		6 months ended 30 September 2006		Year ended 31 March 2007 (audited)	
	Revenue £'000	Operating Profit £'000	Revenue £'000	Operating Profit £'000	Revenue £'000	Operating Profit £'000
Customer Management	70,054	6,732	67,315	6,366	173,735	13,107
Customer Acquisition	1,015	(1,654)	1,184	(1,353)	2,330	(3,089)
Total	71,069	5,078	68,499	5,013	176,065	10,018

### 3. Dividends

	6 months ended 30 September 2007 (unaudited) £'000	6 months ended 30 September 2006 (unaudited) £'000	Year ended 31 March 2007 (audited) £'000
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 March 2007 of 6.0p per share (2006: 1.0p)	4,142	684	684
Interim dividend for the year ended 31 March 2007 of 2.0p per share (2006: Nil)	<u>-</u>	<u>-</u>	<u>1,378</u>

An interim dividend of 4.0p per share will be paid on 7 January 2008 to shareholders on the register at close of business on 14 December 2007.

The estimated amount to be paid is £2.7 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	<u>4,538</u>	<u>3,911</u>	<u>8,608</u>
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#### Number of shares

	Number	Number	Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	68,325,229	68,444,429	68,606,607
Effect of dilutive potential ordinary shares (share options)	413,071	171,823	170,959
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>68,738,300</u>	<u>68,616,252</u>	<u>68,777,566</u>