

23 November 2021

# Telecom Plus PLC Half-Yearly Results



Period ended 30 September 2021

**TelecomPlus**

# Introduction

## Half-Year Results for the six months ended 30 September 2021

Telecom Plus PLC (trading as Utility Warehouse), the UK's only fully integrated provider of a wide range of competitively priced utility services spanning the communications, energy and insurance markets, today announces its half-year results for the six months ended 30 September 2021.

## Financial highlights

- Revenue up 6% to £371.3m (2020: £349.4m)
- Adjusted profit before tax of £26.2m (2020: £27.7m) following one-off Ofgem settlement
- Statutory profit before tax of £19.9m (2020: £21.5m)
- Interim dividend maintained at 27p per share (2020: 27p)

## Operating highlights

- Resilient performance across all parts of the business throughout the pandemic
- Customer numbers up by 3,289 to 660,700 (March 2021: 657,411)
- Total services supplied 2,079,756 (March 2021: 2,073,797)

## Current trading and outlook

Significant increase in activity following recent energy crisis and paradigm shift in the retail energy market:

- Net customer growth in October of over 15,000
- Strong uplift in Partner recruitment in response to the emerging cost of living crisis
- Expecting around 10% growth in customer base during H2 with double-digit annual percentage growth thereafter

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

"These results demonstrate our resilience as a supplier of essential household services following the disruption caused by the pandemic.

"The recent energy crisis has brought a seven-year destructive price war to an abrupt end, and the subsequent spate of energy supplier failures has demonstrated the inherent flaws in the regulator's policy of 'competition at all costs'. Consumers now face a cost running into billions of pounds to tidy up the mess, so we welcome Ofgem's commitment to prevent this situation from happening again, and to create a retail market that allows sustainable competition between suppliers, whilst enabling us to meet the challenges of the transition to net zero together.

"The emerging cost of living crisis is driving increasing numbers of new Partners to join us, attracted by the flexible and meaningful extra income we offer in return for recommending our range of essential services (including what are currently amongst the UK's lowest priced energy tariffs); this is an encouraging lead-indicator for our future growth.

"Our recent trading has set new records. With momentum and confidence building within our community of Partners, and the recent paradigm shift in the retail energy market, we look forward to delivering around 10% growth in our customer base during H2, and double-digit annual percentage growth thereafter."

**The Company is holding a capital markets event today at 15.00 at Peel Hunt's offices. Please contact MHP Communications at: [telecomplus@mhpc.com](mailto:telecomplus@mhpc.com) for details.**

# Introduction continued

For more information please contact:

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## About Telecom Plus PLC (“Telecom Plus”):

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

Customers benefit from the convenience of a single monthly statement, consistently good value across all their utilities and exceptional levels of service. Telecom Plus does not advertise, relying instead on ‘word of mouth’ recommendation by existing satisfied customers 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 [telecomplus.co.uk](https://telecomplus.co.uk)

### Cautionary statement regarding forward-looking statements

*This Announcement may contain “forward-looking statements” with respect to certain of the Company’s plans and its current goals and expectations relating to its future financial condition, performance, strategic initiatives, objectives and results. Forward-looking statements sometimes use words such as “aim”, “anticipate”, “target”, “expect”, “estimate”, “intend”, “plan”, “goal”, “believe”, “seek”, “may”, “could”, “outlook” or other words of similar meaning. By their nature, all forward-looking statements involve risk and uncertainty because they are based on numerous assumptions regarding the Company’s present and future business strategies, relate to future events and depend on circumstances which are or may be beyond the control of the Company which could cause actual results or trends to differ materially from those made in or suggested by the forward-looking statements in this Announcement, including, but not limited to, domestic and global economic business conditions; market-related risks such as fluctuations in interest rates; the policies and actions of governmental and regulatory authorities; the effect of competition, inflation and deflation; the effect of legislative, fiscal, tax and regulatory developments in the jurisdictions in which the Company and its respective affiliates operate; the effect of volatility in the equity, capital and credit markets on profitability and ability to access capital and credit; a decline in credit ratings of the Company; the effect of operational risks; an unexpected decline in sales for the Company; any limitations of internal financial reporting controls; and the loss of key personnel. Any forward-looking statements made in this Announcement by or on behalf of the Company speak only as of the date they are made. Save as required by the Market Abuse Regulation, the Disclosure Guidance and Transparency Rules, the Listing Rules or by law, the Company undertakes no obligation to update these forward-looking statements and will not publicly release any revisions it may make to these forward-looking statements that may occur due to any change in its expectations or to reflect events or circumstances after the date of this Announcement.*

# Interim Management Report

## Financial and Operating Review

Results	Adjusted			Statutory		
Half year to 30 September	2021	2020	Change	2021	2020	Change
Revenue (£'000)	371,275	349,370	6.3%	371,275	349,370	6.3%
Profit before tax (£'000)	26,205	27,655	(5.2)%	19,862	21,451	(7.4)%
Basic earnings (per share)	26.1p	28.6p	(8.7)%	18.3p	20.8p	(12.0)%
Interim dividend (per share)	27.0p	27.0p	-	27.0p	27.0p	-

*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 Eon (formerly 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 profit for the period attributable to the 25% non-controlling interest in Glow Green. These balances can be derived directly from amounts shown separately on the face of the condensed consolidated interim statement of comprehensive income.*

Against the backdrop of widespread apathy towards switching in the aftermath of the pandemic, the business delivered a resilient performance during the first half, with the recent energy crisis acting as a catalyst to end an unsustainable seven year price war. With over 20 suppliers having subsequently exited the market, we saw an immediate pick up in the number of customers joining UW, with a net increase of over 15,000 new customers in October alone.

Adjusted profit before tax decreased marginally to £26.2m (2020: £27.7m) on revenues of £371.3m (2020: £349.4m), following a one-off increase to the provision for the Ofgem settlement of £1.0m relating to an historical issue (total settlement £1.5m). Adjusted earnings per share fell to 26.1p (2020: 28.6p). Statutory profit before tax decreased to £19.9m (2020: £21.5m), after energy supply contract intangible amortisation of £5.6m (2020: £5.6m) and share incentive scheme charges of £0.6m (2020: £0.6m).

We will be paying an interim dividend of 27p per share (2020: 27p) on 17 December 2021 to shareholders on the register on 3 December 2021; the Company's shares will go ex-dividend on 2 December 2021.

### Revenues

The increase in revenue primarily reflects a colder spring relative to the prior year, supplemented by the impact of the greater number of services we supply and, to a lesser extent, higher energy prices. This was partially offset by lower fixed line call volumes, which returned to more typical levels as we emerged from lockdown.

Gross margin decreased to 22.9% (2020: 23.7%), reflecting the higher proportion of our revenues derived from supplying lower margin energy services, and a growing penetration of fibre broadband services.

### Costs

Distribution expenses fell to £12.7m (2020: £13.5m), reflecting the lower levels of customer acquisition and Partner activity during the period.

Administrative expenses (excluding amortisation of the energy supply contract intangible) rose by £4.3m to £40.6m (2020: £36.3m). Around half of this increase resulted from higher amortisation of technology costs, providing for the new management incentive scheme approved by shareholders last December, and an increase to the provision for the Ofgem settlement.

The remaining increase in administrative expenses is broadly in line with the level of revenue growth, reflecting continued expansion in the number and range of services we are providing and ongoing investment in marketing and technology.

The bad debt charge for the year increased to £5.1m (2020: £4.6m) representing 1.4% of revenues (2020: 1.3%).

### Cash flow and borrowings

Operating cash flow of £22.5m (2020: £42.7m) was lower year on year, mainly reflecting the benefit of a covid-related deferral in VAT payments last year. Capital expenditure of £4.8m (2020: £5.3m) related primarily to our ongoing technology investment programme. Net debt (including lease liabilities) during the period rose to £77.8m (31 March 2021: £71.4m), mainly reflecting our continued investment in technology and the provision of Amazon eero whole home wifi systems to broadband customers.

At this level, our net debt to EBITDA ratio (on a 12-month rolling basis) remains low at around 1.2x, underpinning our progressive dividend policy.

In recognition of the exciting growth prospects for the business, the Group recently agreed to extend its revolving credit facilities to £175.0 million with Barclays Bank PLC, Lloyds Bank PLC and Bank of Ireland Group PLC for the period to 30 June 2024.

### Tax

Our effective tax rate for the first half was 28.3% (2020: 23.9%). This overall level 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 an increase in deferred tax due to the future rise in the corporation tax rate to 25%.

## Our Customer Proposition: All your home services in one

We offer our customers a clearly differentiated product, saving them both time and money by supplying them with all their home services in one, simple, monthly bill. As the UK's only fully integrated multi-service provider, we derive significant operating efficiencies by spreading a single set of overheads across the multiple revenue streams we receive from our customers.

Customer numbers increased modestly during the period by 3,289 to 660,700 (FY21: 657,411), with the number of services supplied to them increasing by 5,959 (2020: 15,004); this positive net outcome reflected a period of declining customer numbers over the spring and summer as the UK adjusted from a prolonged succession of lockdowns, followed by an uptick in customer gathering activity in early September following our first major in-person Partner event; this momentum received a sharp boost from the energy crisis which occurred soon after.

	H1 FY 2022	FY 2021	H1 FY 2021
<b>Partners</b>	<b>44,325</b>	<b>48,573</b>	<b>46,698</b>
<b>Customers</b>			
Residential	637,553	633,616	626,036
Business	23,147	23,798	24,461
<b>Total</b>	<b>660,700</b>	<b>657,411</b>	<b>650,497</b>
<b>Core services</b>			
Energy	1,090,319	1,079,044	1,063,017
Broadband	316,276	324,499	324,993
Mobile	306,738	302,654	288,567
Insurance	35,608	32,928	31,497
<b>Other services</b>			
Cashback card	305,875	308,439	301,717
Legacy services	24,940	26,233	27,929
<b>Total</b>	<b>2,079,756</b>	<b>2,073,797</b>	<b>2,037,720</b>

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

### Supporting our customers

In order to earn the trusted personal recommendations of our Partners, we must deliver a consistently high standard of service to our customers, treat them fairly, and live up to our promise of letting them get on with their lives and forget about their utilities.

Our customers increasingly seek to self-serve through the UW customer app and online MyAccount area, and we maintain our focus on further improving the functionality and ease of use of these tools. That said, we also rely heavily on the efforts of our colleagues to provide personalised support for those customers that wish to talk to us or email us.

We are pleased with the decision we made last year to embrace the additional flexibility and scalability that remote working offers us, and around 40% of our customer-facing team members are now permanently home-based. We have made real progress during the period in improving the management tools that we require to operate on a fully remote basis, and continue to invest in providing our remote colleagues with the systems that enable them to deliver UW service levels to each of our customers.

### Churn

Prior to the recent energy crisis, our energy churn had fallen significantly to 0.7% per month (2020: 1.2%), reflecting a less aggressive retail energy market caused by upward wholesale pricing pressures.

Following the universal withdrawal of discounted acquisition tariffs since mid-September, there has been a further decrease in market-wide switching, leading to a significant further reduction in our churn.

# Our Partners: A Unique Route to Market

We offer our Partners a smarter way to earn: in their own time and on their own terms. They are one of the key strengths of our business, and certainly our greatest point of differentiation.

Through UW, they can create real financial security for themselves and their families by signing up new customers and introducing our income opportunity to other like-minded people; in doing so, they can earn meaningful short-term financial rewards combined with a long-term residual income.

Over the last six months our Partners have had to adjust their ways of working as restrictions on social interactions have been lifted. Gauging the appetite of prospects to meet in person has been challenging, however the proportion of customer applications that are fulfilled remotely has stabilised during the first half at around 25%, demonstrating the longer-term benefit of having developed this capability at the onset of the pandemic.

We held our first in-person Partner conference in two years during early September; this was well-attended and was an important milestone on our recovery from the challenging virtual environment of the past 18 months.

As the emerging cost of living crisis deepens, we believe that increasing numbers of people will turn to UW to earn an extra income. With a registration fee of just £10, and the opportunity to earn upwards of £250 for each customer that they introduce, as well as an ongoing income stream, UW Partnership is a highly attractive proposition that is ideally suited to the current times.

## Energy

Over twenty energy companies have ceased trading since the summer, leaving over two million customers dependent on the safety net provided by the market regulator, Ofgem, to maintain their supplies and protect their credit balances through the Supplier of Last Resort (SOLR) mechanism. These corporate failures take the total number of suppliers that have exited the market in the past five years to over 50, with further failures expected over the coming months.

Whilst primarily blamed on rising wholesale prices, this catalogue of failures, and the associated billions of pounds of costs that will ultimately be borne by consumers, reflect a regulatory regime that encouraged a clearly unsustainable ‘race-to-the-bottom’ approach to competition. The resultant price war has eroded consumer trust and caused significant financial detriment, as the cost of these failures will need to be recouped through higher energy bills over the coming years.

Ofgem’s recent open letter to energy suppliers is therefore a welcome statement of intent to reform the regulatory framework towards one that genuinely fosters sustainability, investment, good service and fair competition amongst properly resourced and differentiated suppliers.

It is clear that the retail energy market has undergone a paradigm shift, bringing an end to the unsustainable practices which had become widespread over the last seven years of selling energy below cost to attract new customers, using customer credit balances as working capital, and failing to accrue for regulated renewable obligation payments.

In that environment, it stands to reason that an established, well-capitalised energy supplier benefiting from a sustainable cost advantage that is derived from bringing consumers a highly differentiated ‘all your home services in one’ proposition, should thrive. As the dust settles on the prolonged energy market price war, we believe we are better positioned than ever to grow our market share significantly over the coming months and years.

## Broadband and Mobile

Broadband switching was muted across the market during the period, reflecting the high number of consumers who upgraded to faster broadband speeds in spring/summer 2020 in response to the initial lockdowns: this resulted in many households being placed into new 18 month contracts with their existing suppliers. A further near-term factor is an increased reluctance to switch broadband providers given the challenges posed by any disruption to internet access when working from home.

We are pleased that the modest decline in broadband service numbers that we saw in the first half has recently been reversed, as overall customer acquisition levels have picked up. With a competitive fibre proposition, supported by our partnership with Amazon eero to provide fast and secure whole home wifi, we are well placed to grow our broadband market share as the full fibre rollout continues apace.

We improved our Mobile tariffs towards the end of the period, ensuring that we continue to offer one of the most competitive unlimited data tariffs in the market.

## Insurance

Our insurance book continued to perform ahead of our overall business, growing at 8% during the period, to over 35,000 policies; in particular, the incorporation of our market leading Boiler and Home Cover policy into our main onboarding journey since April has yielded encouraging results, and provides us with a proven distribution model which we can now replicate to drive future growth for our additional insurance products.

In line with trends emerging over recent weeks, we anticipate that growth in policies will accelerate sharply during the second half of the year as a result of overall higher levels of customer acquisition, a streamlined quotation journey for Home Insurance, more competitive quoting from our panel of Home Insurance underwriters, and the seasonality associated with writing new Boiler and Home Cover policies.

Our approach of providing 'everyday low prices' rather than discounted introductory deals means that we need no significant amendments to our processes in order to comply with the FCA price walking interventions that are being implemented from 1 January 2022. We view this as a vital step towards creating fairer outcomes for consumers and anticipate that this intervention will be materially beneficial for the further growth of our high-quality Home Insurance book.

We remain focussed on building scale for our current range of personal insurance products, strengthening our Home Insurance panel, and increasing the conversion ratio amongst our customers, whilst maintaining robust margins. In due course we expect to launch further complementary insurance products to our customers and have growing confidence in our decision to invest strategically in this marketplace in order to generate significant shareholder value over the longer term.

## Cashback

Our third-generation cashback card launched in October, offering UW customers a significantly enhanced product experience, with instant spend notifications, no-fee FX transactions and a redesigned customer app. Our new platform is highly scalable, having partnered with best-in-class technology partners, and this will enable us to significantly extend our cashback rewards proposition in the future.



Over the last three years alone customer spend with this product has more than doubled, with annual spend now approaching £400m and improvement across several key engagement metrics. We are targeting growth to £1bn/year of spend as our next key milestone, and are excited by the new opportunities that the adoption of this product unlocks and the additional engagement and loyalty it drives amongst our customers.

## Glow Green: Our Installation Business

The post-pandemic period has seen reduced demand for boiler installation, and the conclusion of industrial action at British Gas in the spring resulted in a more competitive marketplace during the summer.

Good progress has been made in extending Glow Green's installation capability beyond boilers, to include both heat pumps and solar PV systems, with volumes of the latter recently picking up significantly. These represent promising longer-term revenue opportunities.

As we move through the important winter season, boiler installation volumes have started to increase, and we are gaining some early traction from our initial campaigns to cross-sell boiler installations to our UW customers. We anticipate that the business will be broadly breakeven for the full year.

## Sustainability Achievements

Following the publication of our first ESG Strategy Report in June, we have made good progress on our sustainability initiatives. Key highlights include:

### **Our smart meter rollout**

We believe that smart meters are the foundational infrastructure for a smarter energy system - which is critical if the UK is to reach its net zero target. Not only do they help our customers reduce their carbon emissions by being smarter about how they use their energy, but they are also future-proofing our customers' homes for renewables and low-carbon energy solutions. For that reason, we are leading the charge on the smart meter rollout and have one of the highest penetration rates in the UK. To date, 62% of our customers are enjoying the benefits of smart meters and we continue to install thousands each and every month in our customers' homes.

### **Renewable and low-carbon home energy solution**

We have been trialling small-scale installations of solar panels, home batteries and electric vehicle charging points through our Glow Green installation business.

### **Enhanced employee engagement**

We have undertaken our first all-employee 'Heartbeat' survey. Over 50% responded and as a result of their feedback, we have implemented a number of initiatives including a free virtual GP service, improvements to holiday booking and working hours processes for call centre colleagues, the launch of a well-being toolkit to respond to the evolving mental health and well-being needs of our colleagues, and the development of our new 'inclusive leader' training content to support and equip our people in managing their teams with fairness and empathy.

We will provide a full update on progress against our ESG targets and commitments when we publish our annual results next summer.

## Co-Chief Executive: Stuart Burnett

We are delighted to appoint Stuart Burnett as Co-CEO alongside Andrew Lindsay. The recent acceleration in our growth rate, and the increasingly exciting growth prospects for our business, have brought forward a transition that has been planned for some time.

Stuart and Andrew have been working in close partnership since the start of the pandemic, with Andrew focusing on our Partner community and longer-term growth strategy, and Stuart on the Customer proposition, the multiple regulated markets we operate in, and running the day-to-day operations of the business.

Having worked together for over five years, they share a united vision of how to deliver on our ambition to more than double the size of the business over the next few years.

## Outlook

The Government has confirmed that the energy price cap will remain at its current level of £1,277 for the rest of the winter, before increasing significantly in April 2022; in the meantime, several more suppliers are expected to fail.

In response to the sharp rise in wholesale energy costs during September, virtually all suppliers rapidly withdrew their discounted acquisition tariffs, leaving our standard energy tariffs amongst the cheapest in the market. As a result, we have seen a very strong start to H2, with a net increase of over 15,000 customers during October alone. Whilst we do not believe this run-rate will continue, we expect to see an increase of around 10% in our customer numbers for the second half.

At the same time, we have seen new Partner recruitment more than double, as more people turn to UW as a way to earn an extra income in response to the deepening cost of living crisis. Whilst it is still early days, we expect this momentum to build through the second half, helping us maintain a high rate of organic customer growth as we move into FY23.

In response to our significantly steeper growth trajectory, we have taken advantage of a number of energy suppliers exiting the market to recruit an additional 80 colleagues with relevant experience, significantly strengthening our support teams. In the absence of unforeseen circumstances, and despite the additional short-term costs associated with growing our headcount and faster customer growth, we maintain our previous guidance that full-year adjusted profit before tax and dividends will be around £60m and 57p (2020: 57p) per share, respectively.

For FY23, we anticipate that the combination of higher energy revenues and continued growth in the number of services we supply will lead to a material increase in profits and cash generation, accompanied by progressive dividend growth in line with our stated policy.

Looking further out, we expect to be a long-term beneficiary of the paradigm shift that has occurred in the energy markets and look forward to harnessing the power of our Partners to deliver consistent and sustainable double-digit organic growth.

# 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.

The directors have carried out a robust assessment of the Company's emerging and principal 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 customer 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 customers.

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 customers, 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 customers.

In relation to the service provided to its customer 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 customers (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 customers, 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 work with their stakeholders to refine application and systems requirements. 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 customer 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 cloud-based infrastructure as a service, in critical cases maintained in a warm standby or active-active state to mitigate risk in the event of a failure of the production systems.

## 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 a robust and industry appropriate Group-wide 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 and industry specific regulations concerning data protection and information security, it could be subject to enforcement action, significant fines and the potential loss of its operating licence.

Information security risks are overseen by the Group's Information Security and Legal and Compliance team.

## Legislative and regulatory risk

The Group is subject to various laws and regulations. The energy, communications and financial services markets in the UK 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 material failure to comply may result in the Group being fined and lead to reputational damage which could impact the Group's brand and ability to attract and retain customers. 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.

Further regulatory changes relating to retail energy price caps, faster switching, the impact of covid on bad debt, the rollout programme of smart energy meters, and the development 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 supplier of telecoms services and therefore has a direct regulatory relationship with Ofcom. If the Group fails to comply with its obligations, it could be subject to fines or lose its ability to operate. Regulatory changes relating to the European Electronic Communications Code could have an impact on the telecoms sector with increased regulatory burden and on the Group's product offering.

The Group is authorised and regulated as an insurance broker for the purposes of providing insurance services to customers by the Financial Conduct Authority ("FCA"). If the Group fails to comply with FCA regulations, it could be exposed to fines and risk losing its authorised status, severely restricting its ability to offer insurance services to customers.

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.

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, broadband availability and affordability, vulnerable customers and fuel poverty may lead to further reviews of the energy and telecoms markets which could result in further consumer protection legislation being introduced. 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.

The Group is also aware of legal and compliance challenges in relation to climate change and managing climate-related risk.

## **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 customers who are not considered creditworthy, the Group is obliged to supply domestic energy to everyone who submits a properly completed application form. Where customers subsequently fail to pay for the energy they have used, 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 customers from increasing their indebtedness are not always fully recovered.

Fraud and bad debt within the telephony industry may arise from customers 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 customers use stolen cards to obtain credit (e.g. on their CashBack card) or goods (e.g. Smartphones) 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 customers' 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 customers, 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 customer demand can be subject to considerable short-term fluctuations depending on the weather. The Group has a long-standing supply relationship with Eon (formerly npower) under which the latter assumes the substantive risks and rewards of buying and hedging energy for the Group's customers, 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 Eon (formerly 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 customers 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 continue 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 customer 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 customers is reliant on the efficient operation of third party physical infrastructure. There is a risk of disruption to the supply of services to customers 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 customers 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 dual-sources (where practicable) the third party metering and related equipment they use.

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 customer's property causing injury or death. The Group mitigates this risk through having established their own meter operator (UW Home Services Limited) and ensuring that all employees receive appropriate training and proper supervision.



## Energy industry estimation risk

A significant degree of estimation is required in order to determine the actual level of energy used by customers 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 customers. However, this risk is mitigated by the relatively high proportion of customers 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.

## Virus outbreak risk

In the event of further virus outbreak (or new variants of covid emerging) which are resistant to vaccinations and/or treatments, the Company faces a number of risks from any highly infectious virus or disease which causes serious incapacity amongst those infected, including: (i) staff may be unable to attend their normal place of work and fulfil their normal duties due to falling ill or being required to self-isolate (either due to exposure to carriers of the virus, or to reduce the likelihood of being so exposed); (ii) the Company may be required to shut Network HQ to prevent transmission of the virus in the workplace; (iii) the efficiency of our operations may be reduced; (iv) we may be unable to recruit and train new members of staff; (v) customers may find it more difficult to contact the company; (vi) we may be unable to resolve faults and challenges faced by customers which require a visit to their home or other engineering works to be carried out; (vii) customers may stop paying their bills, or we may be required by the Government to offer payment holidays to customers in respect of their utilities (in a similar fashion to the mortgage payment provisions), putting pressure on the Company's working capital; (viii) we may be restricted from carrying out normal debt enforcement procedures including suspension of telephony services and installation of smart meters; (ix) the Company's Partners may find it more difficult to grow their businesses during a period when restrictions on movement are imposed by the Government; (x) we may be unable to visit customers' homes to install smart meters and/or our free lightbulb replacement service; (xi) the various providers of third party infrastructure used to supply our services may be unable to cope with the increased demands placed upon them; and (xii) churn could increase during periods when customers are isolated at home.



These are mitigated by: (i) the Company has proven technology to enable most employees to carry out their duties remotely; (ii) the demographic mix of our customer base is heavily skewed towards homeowners and older/retired customers; this means we are significantly less exposed to payment issues than most other providers of similar services; (iii) the Company has a strong balance sheet with modest gearing, and access to significant, recently refinanced, additional debt facilities (if required) to cover any temporary pressure on working capital; in extremis, these could be enhanced by a temporary suspension of the dividend; (iv) the Company has developed tools which are now in widespread use, enabling Partners to sign-up new customers, recruit new Partners, and to help existing Partners support new Partners remotely to teach them how to build their own successful UW business; and (v) the wide range of services provided to customers gives us significant resilience from a revenue and profit perspective against an external event which affects any individual revenue stream.

## AGM Response Statement

At the Company's Annual General Meeting ("AGM") held on 22 July 2021, votes against of over 20% were received in respect of the following three resolutions: (i) To receive the 2021 Annual Report and Accounts; (ii) To approve the 2021 Directors' Remuneration Report; and (iii) To re-elect Charles Wigoder. The Board understands that these votes were principally driven by concerns raised by certain shareholders around the level of Board diversity and historical directors' remuneration policy issues.

In accordance with the UK Corporate Governance Code, the Board has reflected on the feedback received, and will take these views into consideration in filling any Board vacancies which arise in future.

## 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.

In November 2021 the Group agreed to extend its revolving credit facilities to £175.0 million with Barclays Bank PLC, Lloyds Bank PLC and Bank of Ireland Group PLC for the period to 30 June 2024. As at 30 September 2021, £95.0 million of this facility was drawn down and the Company had a cash balance of £23.2 million.

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

The Group has continued to trade throughout the covid pandemic and its financial performance to date and available liquidity are in line with expectations. The Group has considerable financial resources together with a large and diverse retail and small business customer 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 at least 12 months from the date of the approval of the interim financial statements. The interim financial statements have therefore been prepared on a going concern basis.

# 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 2021, each of whom accordingly confirms that to the best of their 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	
Charles Wigoder	Executive Chairman
Andrew Lindsay	Co-Chief Executive Officer
Stuart Burnett	Co-Chief Executive Officer
Nick Schoenfeld	Chief Financial Officer
Beatrice Hollond	Senior Non-Executive Director
Andrew Blowers	Non-Executive Director
Melvin Lawson	Non-Executive Director
Julian Schild	Non-Executive Director
Suzi Williams	Non-Executive Director

Given on behalf of the Board

**Andrew Lindsay**

Co-Chief Executive

**Stuart Burnett**

Co-Chief Executive

**Nick Schoenfeld**

Chief Financial Officer

22 November 2021

# 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 2021 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 2021 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK 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 for use in the UK. 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 for use in the UK.

## 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, UK  
22 November 2021

# Condensed Consolidated Interim Statement of Comprehensive Income

		6 months ended 30 September 2021 (unaudited)	6 months ended 30 September 2020 (unaudited)	Year ended 31 March 2021 (audited)
	Note	£'000	£'000	£'000
Revenue		371,275	349,370	861,204
Cost of sales		(286,295)	(266,721)	(688,104)
<b>Gross profit</b>		<b>84,980</b>	<b>82,649</b>	<b>173,100</b>
Distribution expenses		(12,697)	(13,522)	(27,849)
Administrative expenses		(40,574)	(36,296)	(76,820)
Share incentive scheme charges		(585)	(590)	(1,377)
Amortisation of energy supply contract intangible	4	(5,614)	(5,614)	(11,228)
Total administrative expenses		(46,773)	(42,500)	(89,425)
Impairment loss on trade receivables		(5,071)	(4,599)	(11,213)
Other income		669	574	1,175
<b>Operating profit</b>		<b>21,108</b>	<b>22,602</b>	<b>45,788</b>
Financial income		26	53	84
Financial expenses		(1,272)	(1,204)	(2,358)
<b>Net financial expense</b>		<b>(1,246)</b>	<b>(1,151)</b>	<b>(2,274)</b>
<b>Profit before taxation</b>		<b>19,862</b>	<b>21,451</b>	<b>43,514</b>
Taxation		(5,623)	(5,126)	(10,955)
<b>Profit for the period</b>		<b>14,239</b>	<b>16,325</b>	<b>32,559</b>
Profit and other comprehensive income for the period attributable to owners of the parent		14,383	16,324	32,577
(Loss)/profit for the period attributable to non-controlling interest		(144)	1	(18)
<b>Profit for the period</b>		<b>14,239</b>	<b>16,325</b>	<b>32,559</b>
Basic earnings per share	8	18.3p	20.8p	41.5p
Diluted earnings per share	8	18.3p	20.7p	41.4p
Interim dividend per share		27.0p	27.0p	-

# Condensed Consolidated Interim Balance Sheet

		As at 30 September 2021 (unaudited)	As at 30 September 2020 (unaudited)	As at 31 March 2021 (audited)
	Note	£'000	£'000	£'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		33,009	36,975	34,865
Investment property	3	8,463	8,381	8,575
Intangible assets	4	156,997	164,377	160,626
Goodwill		5,324	5,324	5,324
Other non-current assets		30,215	28,635	28,595
<b>Total non-current assets</b>		<b>234,008</b>	<b>243,692</b>	<b>237,985</b>
<b>Current assets</b>				
Inventories		6,451	5,695	6,325
Trade and other receivables		62,451	57,559	61,706
Current tax receivable		1,402	1,454	726
Accrued income		81,515	69,304	120,395
Prepayments		12,359	11,638	10,471
Cash		23,175	41,382	25,056
<b>Total current assets</b>		<b>187,353</b>	<b>187,032</b>	<b>224,679</b>
<b>Total assets</b>		<b>421,361</b>	<b>430,724</b>	<b>462,664</b>
<b>Current liabilities</b>				
Trade and other payables		(33,365)	(45,380)	(30,374)
Accrued expenses and deferred income		(81,419)	(80,893)	(122,295)
<b>Total current liabilities</b>		<b>(114,784)</b>	<b>(126,273)</b>	<b>(152,669)</b>
<b>Non-current liabilities</b>				
Long term borrowings	5	(94,554)	(79,198)	(89,376)
Lease liabilities		(6,465)	(8,310)	(7,096)
Deferred tax		(1,695)	(932)	(1,145)
<b>Total non-current liabilities</b>		<b>(102,714)</b>	<b>(88,440)</b>	<b>(97,617)</b>
<b>Total assets less total liabilities</b>		<b>203,863</b>	<b>216,011</b>	<b>212,378</b>
<b>Equity</b>				
Share capital		3,970	3,967	3,970
Share premium		145,317	144,551	145,094
Capital redemption reserve		107	107	107
Treasury shares		(5,502)	(5,502)	(5,502)
JSOP reserve		(1,150)	(1,150)	(1,150)
Retained earnings		61,712	74,466	70,306
		204,454	216,439	212,825
Non-controlling interest		(591)	(428)	(447)
<b>Total equity</b>		<b>203,863</b>	<b>216,011</b>	<b>212,378</b>

# Condensed Consolidated Interim Cash Flow Statement

		6 months ended 30 September 2021 (unaudited)	6 months ended 30 September 2020 (unaudited)	Year ended 31 March 2021 (audited)
	Note	£'000	£'000	£'000
<b>Operating activities</b>				
<b>Profit before taxation</b>		<b>19,862</b>	<b>21,451</b>	<b>43,514</b>
Adjustments for:				
Net financial expense		1,246	1,151	2,274
Depreciation of property, plant and equipment		2,421	2,359	4,731
Profit on disposal of fixed assets		(312)	(35)	(47)
Amortisation of intangible assets		7,681	7,157	14,550
Amortisation of debt arrangement fees		178	178	356
Increase in inventories		(126)	(1,062)	(1,694)
Decrease/(increase) in trade and other receivables		34,628	47,355	(6,713)
Decrease in trade and other payables		(37,726)	(30,478)	(4,046)
Share incentive scheme charges		585	590	1,377
Corporation tax paid		(5,753)	(5,925)	(10,945)
<b>Net cash flow from operating activities</b>		<b>22,684</b>	<b>42,741</b>	<b>43,357</b>
<b>Investing activities</b>				
Purchase of property, plant and equipment		(769)	(1,527)	(2,582)
Purchase of intangible assets		(4,052)	(3,815)	(7,457)
Disposal of property, plant and equipment		628	47	100
Interest received		26	31	98
<b>Cash flow from investing activities</b>		<b>(4,167)</b>	<b>(5,264)</b>	<b>(9,841)</b>
<b>Financing activities</b>				
Dividends paid	6	(23,559)	(23,524)	(44,708)
Interest paid		(1,323)	(1,001)	(2,002)
Interest paid on lease liabilities		(108)	(128)	(246)
Drawdown of long-term borrowing facilities		25,000	-	30,000
Repayment of long-term borrowing facilities		(20,000)	(15,000)	(35,000)
Repayment of lease liabilities		(631)	(713)	(1,321)
Issue of new ordinary shares	7	223	660	1,206
<b>Cash flow from financing activities</b>		<b>(20,398)</b>	<b>(39,706)</b>	<b>(52,071)</b>
Decrease in cash and cash equivalents		(1,881)	(2,229)	(18,555)
Net cash and cash equivalents at the beginning of the period		25,056	43,611	43,611
<b>Net cash and cash equivalents at the end of the period</b>		<b>23,175</b>	<b>41,382</b>	<b>25,056</b>

# 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 2020	3,962	143,896	107	(5,502)	(1,150)	81,068	(429)	221,952
Profit and total comprehensive income for the period	-	-	-	-	-	16,324	1	16,325
Dividends	-	-	-	-	-	(23,524)	-	(23,524)
Credit arising on share options	-	-	-	-	-	590	-	590
Retained earnings tax adjustments	-	-	-	-	-	8	-	8
Issue of new ordinary shares	5	655	-	-	-	-	-	660
<b>Balance at 30 September 2020</b>	<b>3,967</b>	<b>144,551</b>	<b>107</b>	<b>(5,502)</b>	<b>(1,150)</b>	<b>74,466</b>	<b>(428)</b>	<b>216,011</b>
Balance at 1 October 2020	3,967	144,551	107	(5,502)	(1,150)	74,466	(428)	216,011
Profit and total comprehensive income for the period	-	-	-	-	-	16,253	(19)	16,234
Dividends	-	-	-	-	-	(21,184)	-	(21,184)
Credit arising on share options	-	-	-	-	-	779	-	779
Deferred tax on share options	-	-	-	-	-	(8)	-	(8)
Issue of new ordinary shares	3	543	-	-	-	-	-	546
<b>Balance at 31 March 2021</b>	<b>3,970</b>	<b>145,094</b>	<b>107</b>	<b>(5,502)</b>	<b>(1,150)</b>	<b>70,306</b>	<b>(447)</b>	<b>212,378</b>
Balance at 1 April 2021	3,970	145,094	107	(5,502)	(1,150)	70,306	(447)	212,378
Profit and total comprehensive income for the period	-	-	-	-	-	14,383	(144)	14,239
Dividends	-	-	-	-	-	(23,559)	-	(23,559)
Credit arising on share options	-	-	-	-	-	585	-	585
Deferred tax on share options	-	-	-	-	-	(11)	-	(11)
Retained earnings tax adjustments	-	-	-	-	-	8	-	8
Issue of new ordinary shares	-	223	-	-	-	-	-	223
<b>Balance at 30 September 2021</b>	<b>3,970</b>	<b>145,317</b>	<b>107</b>	<b>(5,502)</b>	<b>(1,150)</b>	<b>61,712</b>	<b>(591)</b>	<b>203,863</b>

# 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 as adopted for use in the UK. 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 2021, and are consistent with those that the Company expects to apply in its financial statements for the year ended 31 March 2022.

The condensed consolidated financial statements for the year ended 31 March 2021 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 2021 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 2021 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 2021 and 30 September 2020 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 22 November 2021.

## 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 2021.



### 3. 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 on 4 June 2021 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 £11.9 million and has been categorised as a Level 3 fair value based on the inputs to the valuation technique used. The valuation was prepared on a Market Value basis as defined in the Valuation Standards and was primarily derived from using comparable market transactions carried out on an arm's length basis. These inputs are deemed unobservable.

### 4. Intangible assets

	Energy Supply Contract £'000	IT Software & Web Development £'000	Total £'000
<b>Cost</b>			
At 31 March 2021	224,563	28,270	252,833
Additions	-	4,052	4,052
<b>At 30 September 2021</b>	<b>224,563</b>	<b>32,322</b>	<b>256,885</b>
<b>Amortisation</b>			
At 31 March 2021	(82,339)	(9,868)	(92,207)
Charge for the period	(5,614)	(2,067)	(7,681)
<b>At 30 September 2021</b>	<b>(87,953)</b>	<b>(11,935)</b>	<b>(99,888)</b>
<b>Net book amounts</b>			
<b>At 30 September 2021 (unaudited)</b>	<b>136,610</b>	<b>20,387</b>	<b>156,997</b>
At 31 March 2021 (audited)	142,224	18,402	160,626
At 30 September 2020 (unaudited)	147,838	16,539	164,377

The Energy Supply Contract intangible asset relates to the entering into of the energy supply arrangements with Eon (formerly 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.

## 5. Interest bearing loans and borrowings

	6 months ended 30 September 2021 (unaudited)	6 months ended 30 September 2020 (unaudited)	Year ended 31 March 2021 (audited)
	£'000	£'000	£'000
Bank loans	95,000	80,000	90,000
Unamortised loan arrangement fees	(446)	(802)	(624)
	94,554	79,198	89,376
Due within one year	-	-	-
Due after one year	95,000	80,000	90,000
	95,000	80,000	90,000

## 6. Dividends

	6 months ended 30 September 2021 (unaudited)	6 months ended 30 September 2020 (unaudited)	Year ended 31 March 2021 (audited)
	£'000	£'000	£'000
Final dividend for the year ended 31 March 2021 of 30p per share	23,559	-	-
Final dividend for the year ended 31 March 2020 of 30p per share	-	23,524	23,524
Interim dividend for the year ended 31 March 2021 of 27p per share (2020: 27p)	-	-	21,184

An interim dividend of 27.0p per share will be paid on 17 December 2021 to shareholders on the register at close of business on 3 December 2021. The estimated amount of this dividend to be paid is approximately £21.2m and, in accordance with IFRS accounting requirements, has not been recognised in these accounts.

## 7. Share capital

During the period the Company issued 33,865 new ordinary shares to satisfy the exercise of employee and distributor share options.

## 8. Earnings per share

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

	6 months ended 30 September 2021 (unaudited)	6 months ended 30 September 2020 (unaudited)	Year ended 31 March 2020 (audited)
	£'000	£'000	£'000
Earnings for the purpose of basic and diluted EPS	14,383	16,324	32,577
Share incentive scheme charges (net of tax)	493	516	1,194
Amortisation of energy supply contract intangible assets	5,614	5,614	11,228
Earnings excluding share incentive scheme charges and amortisation of intangibles for the purpose of adjusted basic and diluted EPS	20,490	22,454	44,999

  

	Number ( '000s)	Number ( '000s)	Number ( '000s)
Weighted average number of ordinary shares for the purpose of basic EPS	78,526	78,389	78,433
Effect of dilutive potential ordinary shares (share incentive awards)	193	305	273
Weighted average number of ordinary shares for the purpose of diluted EPS	78,719	78,694	78,706
Adjusted basic EPS <sup>1</sup>	26.1p	28.6p	57.4p
Basic EPS	18.3p	20.8p	41.5p
Adjusted diluted EPS <sup>1</sup>	26.0p	28.5p	57.2p
Diluted EPS	18.3p	20.7p	41.4p

## 9. Post balance sheet event

An investigation into the Group's debt management processes was announced by Ofgem in June 2018. In order to settle the matter, on 10 November 2021 the Group agreed to make a payment of £1.5m into Ofgem's Voluntary Redress Fund.

<sup>1</sup> 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 Eon (formerly 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.