

# TelecomPlus

## Final Results

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### **Telecom Plus PLC Final Results for the year ended 31 March 2022**

#### **"Record results ahead of expectations... and a return to 20% sustainable growth"**

Telecom Plus PLC (trading as Utility Warehouse), which supplies a wide range of utility services focussed on domestic customers, today announces its final results for the year ended 31 March 2022.

#### **Financial Highlights:**

- Record results, ahead of expectations
- Revenue up 12.3% to £967.4 million (2021: £861.2m)
- Adjusted pre-tax profit up 10.3% to £61.9 million (2021: £56.1m)
- Statutory pre-tax profit up 8.5% to £47.2 million (2021: £43.5m)
- Adjusted EPS up 10.1% to 63.2p (2021: 57.4p)
- Statutory EPS up 8.7% to 45.1p (2021: 41.5p)
- Full year dividend maintained at 57p per share

#### **Operating Highlights:**

- Number of customers up 10.8% to c. 729,000 (an annualised rate of over 20% during H2), equal to the previous five years of growth combined
- Notable improvement in customer retention levels, as customers benefit from higher savings on their UW services
- Return to rational pricing environment following permanent energy retail market reset

#### **Current trading and outlook:**

- Continuing strong new customer volumes in line with guidance of 20% net growth for FY23

- Subject to unforeseen circumstances, adjusted PBT for FY23 expected to be around £75m, above consensus expectations, enabling an increase in our dividend to not less than 65p for the full year
- Our new medium-term goal is to sign-up at least 1,000,000 additional customers over the next four to five years

**Andrew Lindsay, Co-CEO, said:**

"The business is performing extremely well, delivering record results ahead of expectations. Demand for the long term savings we offer remains high, and underlying organic customer growth is continuing at an annualised rate of around 20% in the new financial year.

"It is now inevitable that energy prices will rise significantly again in October and are likely to remain high for the foreseeable future. Thanks to our multiservice proposition we expect to continue offering our customers the lowest energy prices in the country this winter, giving every household the opportunity to make significant savings at a time when they need them the most."

**Stuart Burnett, Co-CEO, added:**

"Our multiservice business model enables us to sustainably offer the lowest energy tariffs in the country, with a typical household taking three UW services expected to save around £140 a year relative to the Government price cap from October on their energy alone - with significant additional savings available on their other UW services - making us the best value supplier in the country by far.

"Our Partners are growing more and more confident in the value we offer, and as a result are recommending UW to their friends and families in increasing volumes. By doing so, they are earning meaningful additional incomes that are helping them meet the growing pressures on their personal finances. Working together, we have already seen a return to sustainable 20% growth, and we look forward to signing up a million additional customers over the next 4-5 years."

***There will be a virtual meeting for analysts today at 9.00am. Please contact MHP Communications at: [telecomplus@mhpc.com](mailto:telecomplus@mhpc.com) for dial in details.***

**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)

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**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.*

**Chairman's Statement**

I am pleased to report a strong performance by the Company during a period of exceptional market turbulence, with turnover, profit, customer and service numbers all reaching record highs.

Adjusted pre-tax profits increased by 10.3% to £61.9m (2021: £56.1m) mainly reflecting higher customer numbers during H2, on revenue up by 12.3% to £967.4m (2021: £861.2m) largely due to higher energy prices and a growing customer base. Adjusted earnings per share for the year rose by 10.1% to 63.2p (2021: 57.4p). Statutory pre-tax profits rose by 8.5% to £47.2m (2021: £43.5m), and statutory EPS rose by 8.7% to 45.1p (2021: 41.5p).

Customer numbers for the year increased by 71,269 (2021: 5,174) to 728,680 and core service numbers grew by 191,112 (2021: 51,081) to 2,264,909, representing growth of 10.8% and 9.2% respectively. All this growth was achieved organically, and predominantly during H2, representing an annualised customer growth rate for H2 of slightly over 20%. This was achieved despite our decision not to participate in the multiple opportunities which arose to acquire customer bases from insolvent suppliers during the autumn.

Churn within our energy customer base is continuing to run at an annualised rate of less than 3%, and in the absence of a return to heavily discounted introductory fixed tariffs from other suppliers - which now seems unlikely given the current regulatory focus on ensuring a sustainable retail energy marketplace - we would expect our churn rate to remain well below historical levels for the foreseeable future.

Interest in our income opportunity for UW Partners accelerated over the course of the year, particularly during the second half, as people focussed on the impending cost of living crisis. We progressively improved both our customer and Partner propositions; of particular importance was the simplification of our bundling structure in March, enabling customers to lock-in guaranteed savings of up to 5% below the Government's energy price cap when they take any combination of our other core services.

We received a number of awards during the year recognising both the value we offer and the quality of service provided by our UK-based support teams; these are testament to our customer-centric approach, our commitment to treating our customers fairly, and the significant efforts by our teams to deliver the best possible customer service.

### *Dividend*

We are proposing a final dividend of 30p (2021: 30p), bringing the total for the year to 57p (2021: 57p); this will be paid on 5 August 2022 to shareholders on the register at the close of business on 15 July 2022 subject to approval by shareholders at the Company's AGM which will be held on 26 July 2022.

We remain committed to a progressive dividend policy consistent with the underlying strong cash generation of our business, with a significant increase to at least 65p expected for the current year.

### *Our ESG strategy*

As a Company, we remain focussed on delivering against our ESG strategy. Never before has sustainability been so relevant. The challenges of collectively achieving net zero, the energy crisis of last autumn - and now the sharply increasing cost of living faced by families throughout the UK - have brought into sharper focus the importance of helping our communities thrive, supporting a more sustainable future and doing business responsibly. These three pillars underpin our ESG strategy and I am pleased to report that we have made good progress over the last year, as set out in our ESG Report and in our Sustainability Report in the 2022 Annual Report.

We recognise the importance of a low carbon future and are actively developing a detailed Net Zero transition plan. We are committed to implementing the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") and our TCFD disclosures, consistent with the TCFD framework, can be found in the 2022 Annual Report.

Our ESG targets and goals for the year ahead are set out in our ESG Report and Sustainability Report and demonstrate the Company's continued engagement and focus on its ESG agenda.

### **Corporate Governance**

The UK Corporate Governance Code (the "Code") encourages the Chairman to report personally on how the principles in the Code relating to the role and effectiveness of the Board have been applied.

As a board we are responsible to the Company's shareholders for delivering sustainable shareholder value over the long term through effective management and good governance. A key role of mine, as Chairman, is to provide strong leadership to enable the Board to operate effectively.

We believe that open and rigorous debate around key strategic issues and risks faced by the Company is important in achieving our objectives and the Company is fortunate to have non-executive directors with diverse and extensive business experience who actively contribute to these discussions.

Further detail of the Company's governance processes and compliance with the Code is set out in the Corporate Governance Statement.

### **Board changes**

As previously announced, non-executive directors Julian Schild and Melvin Lawson will be retiring from the Board after the AGM in July. Melvin and Julian have each made significant contributions to the success of the business and will leave with our sincere thanks.

We are delighted to welcome Carla Stent to the Board as a Non-Executive Director with effect from the AGM in July. Carla brings a broad range of skills and experience at large and fast growing businesses, and demonstrates the importance we place on meeting the highest possible standards of corporate governance. She will immediately assume the role of chairing our Audit Committee.

### **Outlook**

We have now entered what seems likely to be an extended period of normal and sustainable competition across the various essential household services we provide - an environment in which our clearly differentiated and effective route to market can be expected to thrive. It is hugely exciting to see our community of Partners once again demonstrating their ability to deliver rapid and high quality organic growth.

In helping UK households to manage and reduce their bills, we are a business of its time. Consumer demand to reduce bills has never been higher, and is likely to continue to grow over the coming months. Our multiservice model enables us to offer consumers some of the cheapest energy tariffs in the market - with guaranteed savings of up to 5% below the Government energy price cap - in an entirely sustainable way.

And we are actively increasing our investment in staff and technology to further improve the already strong customer experience and service levels that earned us top position in the May 2022 survey carried out by Uswitch.

Whilst we expect our customer base to grow by around 20% during FY23, the fundamental strengths of our business model mean there is much more to aim for. Indeed, with 98 out of every 100 households in the UK taking their essential home services from suppliers other than UW, our organic growth opportunity is, for all practical purposes, unlimited.

Our new medium-term goal is to sign-up at least 1,000,000 additional customers over the next four to five years - a target we believe is comfortably achievable against an economic background where our ability to help families both save on their bills and earn a meaningful additional income have never been so needed or so valuable.

In the absence of unforeseen circumstances, and with growing visibility over the level of the Government price cap for the coming winter period, we expect that full-year adjusted profit before tax for FY23 will be around £75m, ahead of current consensus market expectations; this would enable an increase in our dividend to not less than 65p for the full year in line with our progressive dividend policy.

Once again, I would like to thank my boardroom colleagues for their support and all our staff and Partners for their loyalty and hard work throughout a difficult and challenging few years, and the contribution they are making to the strong performance we are currently seeing.

**Charles Wigoder**

Executive Chairman

21 June 2022

## Co-Chief Executives' Review

### THE YEAR IN SUMMARY

The business has experienced a dramatic turnaround in the past 12 months, delivering a very strong performance that exceeded our expectations at the start of the year.

We have regained our long term competitive edge, are offering some of the best value services in the country, and starting to fire on all cylinders again.

A continuation of the long-running and value-destructive price war in the energy retail market, combined with the after-effects of social distancing restrictions associated with the pandemic, led to a slow first six months until September 2021.

Since then, our trading environment and long-term outlook have significantly improved, as shown by the 10% growth in both customers and service numbers in the second half of the year - equal to the previous five years of growth combined.

The end of the energy price war was a huge contributor to this rapid improvement in performance: prior to September 2021, our long-term cost advantage and multiservice approach had struggled to compete against the irresponsible, below-cost pricing models of many now-failed energy competitors. As wholesale energy prices rose last year, it exposed these short-termist, unsustainable business models, resetting the energy market and enabling the core strengths of our business model to come back to the fore.

Our disciplined refusal to engage in the value destructive fray of the energy price war, instead remaining focused on long term value creation, has paid off. Today, we are operating in a much smaller market with only ~15 remaining suppliers and ongoing regulatory intervention that will prevent any possible recurrence of unsustainable pricing practices.

But it is not simply the reset of the energy markets that has enabled the business to return to growth and deliver a strong second half. The macro-economic outlook for the UK is worsening, household budgets are coming under increasing pressure, and demand for what we offer is clearly rising.

An inflationary environment is one that has historically suited our business model, as we cater for both those looking to save money on their bills, and those seeking to earn an additional income.

Households across the country are experiencing price rises for all their essential home services - be it energy, broadband or mobile - and are increasingly focussed on managing their monthly outgoings and interested in hearing about ways to save.

At the same time, more and more people are looking to supplement their earnings, and turning to the near-term income opportunity we offer our Partners. It is hugely rewarding to see record numbers of Partners joining UW and being active in recommending UW to their friends, families and colleagues, helping them reduce their bills whilst earning a meaningful additional income in the process. After several years of challenging conditions, the path ahead for us to deliver sustainable and profitable double-digit annual growth is clear.



The strong performance of the business over the last six months is exciting, but with the cost of living squeeze driving increased consumer demand for what we offer, and with 98 out of every 100 households across the UK using suppliers other than UW, we believe there is much further to go. The business is perfectly positioned to capitalise on these very positive dynamics, and we continue to invest to ensure we maximise our growth prospects over the years ahead.

## **A UNIQUE BUSINESS**

### ***All your home services in one***

We supply households and small businesses throughout the UK with a wide range of essential services under the UW brand - energy, broadband, mobile and insurance. Our customers bundle together the services they want, and benefit from a unique multiservice proposition that offers them:

- **Simplicity** - just one, simple bill for all their home services;
- **Savings** - compared with the prices they were previously paying; and
- **Service** - an award-winning customer app backed up by UK-based support teams.

We help our customers to get on with more important things in their lives than managing their bills, by delivering consistently fair value and great service, ensuring they never need to think about switching their utilities again.

We believe that one supplier offering a single place to manage all your essential home services, and a single monthly bill for all of them together, is logically the easiest and most cost-effective way to deal with your bills.

Our ultimate objective is that by fully delivering on our 'all your home services in one' customer proposition, we create something that is truly referable.

### ***Word-of-Mouth***

The power of a personal recommendation from someone you know and trust is as great today as it ever has been, and delivers real impact. This is increasingly apparent in a world of ubiquitous online reviews and relentless digital marketing campaigns hitting consumers from all angles.

Almost every one of our 729,000 customers has been introduced to us by word of mouth. Central to this differentiated marketing approach is our community of UW Partners: they are local, trusted brand advocates who spread the word about UW, one neighbour at a time.

In return for successfully recommending us to their friends and family, and helping them switch their essential home services to UW, we offer our Partners the opportunity to earn a meaningful additional income.

### ***Our sustainable cost advantage***

It is the combination of our unique 'all your home services in one' customer proposition with our powerful 'word of mouth' route to market (that in itself represents an attractive proposition to many consumers), that lies at the heart of our business model. These are underpinned by strong wholesale supply

agreements for each of our services and a fully-integrated technology stack that we've built in-house.

As the UK's only genuine multiservice provider, we derive significant ongoing operating efficiencies relative to our competitors by spreading a single set of overheads across the multiple individual service-related revenue streams we receive from each of our customers.

->This creates a sustainable, structural cost advantage that enables us to consistently price competitively across each of the services we supply.

->This in turn creates a highly attractive and referable customer proposition that enables us to harness the most powerful form of marketing - word of mouth.

->Our Partner-led word of mouth route to market enables us to achieve high levels of multiservice take-up by new customers, maintaining our sustainable cost advantage

## OUR FOCUS

The energy, broadband, mobile and insurance markets are each individually significant; combined, they present us with a vast opportunity. Further, with a market share of around 2.5%, there are few practical constraints on the size of business we can build organically.

However, we have never pursued growth at all costs. We take pride in building an ever more robust and sustainable business that serves the interests of all our key audiences: our customers, Partners, employees and our shareholders.

The underlying strength of our business and the conviction in our approach is founded on two key areas of focus:

### **Loyal customers creating long-term value**

We believe sustainable value can only come from long-term relationships with our customers. We must compete toe-to-toe in each of the competitive markets we operate in, but we're not trying to persuade people to buy something they don't already have or may not need. We simply offer a better solution for the essential household services they're already using, and one that's recommended by a trusted friend or neighbour.

We seek to generate loyalty amongst our customers in a number of key ways:

- *Incentivising them to take more services from UW*

There's a clear correlation between the number of services a customer takes and their lifetime as a UW customer, and so we offer incrementally better value with each additional service they take from us.

- *Providing outstanding service and treating them fairly*

Above and beyond our award-winning customer app and telephone support, we offer a promise of great value for as long as a customer stays with us, eschewing the short-term 'tease and squeeze' pricing tactics that inevitably undermine customer trust and loyalty.

- *Encouraging homeowners to sign up to UW*

Changes in occupancy pose particular challenges to broadband and energy suppliers, leading to higher administrative costs and acting as a prime source of both churn and bad debt. Our propositions are therefore weighted towards homeowners as they tend to move less frequently.



Only a minority of UK consumers actively engage with the expensive advertising strategies of our competitors; these are typically serial switchers and are therefore unlikely to generate long-term returns. The majority of people are considerably less engaged with switching, and it is this personal recommendation from someone they know that overcomes this natural inertia and then leads to longer lifetimes with us once they've switched. Moreover, these 'hard to reach' customers are where our less formal 'word of mouth' route to market really comes to the fore, accessing people who are not actively considering switching.

Our unique multiservice proposition delivered through our word-of-mouth route to market drives the ongoing acquisition of loyal customers, thereby building long term value for all parties:

- Our customers benefit from consistently lower prices in return for switching all their services, and stay with us longer.
- Our Partners receive a long-term residual income stream from a longer-lasting customer.
- Our shareholders receive a sustainable earnings stream from an inherently sustainable business.

### **Word-of-mouth as a sustainable route to market**

We believe attracting multiservice customers at scale is best achieved through word of mouth. This is a core tenet of our business model and gives us a significant competitive advantage, with a direct ability to communicate the benefits of our unique multiservice retail proposition to high quality customers, many of whom may never have previously switched supplier. This is in stark contrast to the traditional and costly routes to market - billboards and digital banner ads to name a few - that are adopted by most other suppliers.

Moreover, and also unlike other routes to market, this word-of-mouth model creates a genuine alignment of interests. Our Partners can earn meaningful short-term financial rewards for introducing new customers to UW, as well as a long-term residual income for as long as their customers remain with us.

As an opportunity to earn a meaningful additional income it offers genuine flexibility, as Partners earn in their own time and on their own terms, and it's highly accessible, as anyone can become a UW Partner, recommend UW from anywhere and no previous experience is needed.

Almost all of our customers have signed up to UW following a recommendation from a UW Partner. In some cases this only generates a one-off income, but in most cases Partners can generate real financial security for themselves and their families - something that has once again started to strike a real chord around the country in recent years.

The pandemic reinforced the appeal of the UW Partner opportunity, with rising demand for an alternative, flexible income stream to supplement earnings. More recently with the inexorably rising cost of living, we're experiencing a further surge in interest as UK consumers increasingly look for additional ways to bolster their household finances.

### **OUR CORE SERVICES**

We help UK households to save time and money by bundling together all their essential home services into one. Whilst a number of price comparison sites seek to provide an all-encompassing home services

proposition on a brokerage basis, we are unique in doing this on a genuinely integrated basis, as the actual retail supplier across each of our core services. We believe this is the only way to earn the trust and loyalty of our customers, as we can manage their end-to-end experience.

Yet we are essentially a virtual business. Instead of owning any of the underlying infrastructure assets necessary to provide our services, we rely on the investments made by others, and resell their services. This approach is founded on strong, long-term commercial relationships with the wholesale suppliers of the core services we supply. It is also capital-light, ensures access to emerging technologies, avoids any obsolescence risk, whilst enabling us to retain full control of our retail proposition.

Our suppliers recognise the value of our unique approach to each of the markets we operate in, and the importance of ensuring we maintain a competitive and attractive customer proposition so our word-of-mouth model continues to thrive. In return, they benefit from a complementary and clearly differentiated route to market which increases their market share, whilst the proven sustainability of our business model, the strength of our balance sheet, and the longevity of our multiservice customers means we benefit from long term competitive terms.

We believe these are genuinely mutually beneficial relationships, and the average tenure for suppliers - typically over 15 years - is testament to their strength, and the value that both sides attribute to them.

None of this would be possible without our in-house technology platform, which is managed by a team of engineers who are innovating daily to deliver seamless customer and Partner experiences. By fully integrating all the household services we supply into a single monthly bill, supported by a single set of central overheads, our technology gives us the fundamental, long-term cost advantage that enables us to sustainably compete with other suppliers in each of the markets we operate in.

### **Energy**

The Energy market landscape has experienced an unprecedented upheaval since the energy crisis began in October last year. Unsustainable pricing and hedging practices have resulted in 30 companies supplying over four million customers going into administration in the last year.

The customer impact has gone well beyond a change of supplier. The rapid inflation in wholesale prices have led to two consecutive significant increases in the Government price cap - a key driver of the cost of living crisis. And with most suppliers not currently accepting new customers unless onto a very expensive fixed deal, more than 22 million households are now on standard variable tariffs, priced at the Government price cap, and switching across the market has dramatically reduced.

Our long term, sustainable approach to pricing, giving customers a guaranteed discount to the Government price cap, led to us being consistently the most competitively priced supplier since October. The combination of this attractive pricing and record low churn, resulted in our energy service base growing by 13% in the last year, heavily skewed towards the second half.

We have continued to focus our growth in this period on high quality customers. We chose not to participate in the multiple opportunities to acquire customer bases from insolvent suppliers during the autumn (through the Supplier of Last Resort ("SOLR") process) and have maintained our focus on acquiring multi-service home-owners through our unique word of mouth route to market.

Despite our rapid return to growth, our customer service quality has remained market leading, and we were delighted to have won three awards in the Uswitch energy awards 2022 including 'Best Customer Service', 'Most Likely to Recommend' and 'Best Rewards' in addition to coming runner-up for 'Best App'. More recently, we topped the Citizens Advice Bureau ("CAB") rankings - a testament to our focus and investment in this area, and the exceptional work of our teams providing the support.

Ofgem continues to run multiple concurrent consultations on interventions to prevent any recurrence of unsustainable practices, including, but not restricted to pricing, hedging, consumer credit balance management, direct debit management, price cap review timeframes etc. We welcome this increased scrutiny, and Ofgem's desire to ensure a sustainable energy market. Equally we are constantly alert to the risk of unintended consequences of highly prescriptive regulatory intervention, not least the significant administrative burden that this puts on suppliers.

Consumer engagement with the transition to net zero may have waned somewhat in the face of rising bills, but remains on a longer term upward trend. Whilst we view ourselves as a multiservice provider, not simply an energy supplier, we have both a direct role to play in the transition, and also an indirect role, by helping our customers to do likewise. The key priority for the energy retail industry is the smart meter roll-out programme. Not only is this vital to the broader transition to net zero, it also improves billing accuracy and customer satisfaction, and critically, it helps customers actively monitor in real time how much energy they are using.

We maintain our belief that Government intervention is required if the smart rollout is to achieve its full potential - namely the introduction of legislation to remove the ability for customers to opt-out from the national rollout programme by refusing to have a new smart meter installed.

We continue to move ahead of the wider market in our smart meter rollout programme, with penetration now at 65% (up from 57% at the start of the year) despite our recent acceleration in growth. In order to focus on our core multiservice customer proposition, and to ensure the continued cost-effective rollout of smart meters to our customers, we took the decision to divest UWHS, our smart meter installation business, in March. The new owners will continue to fulfil our smart rollout obligations in line with our growth.

Our boiler installation business (Glow Green) made a loss of £1.9m during the year. This disappointing performance resulted from a combination of labour and supply chain issues, a more competitive post-pandemic environment, and start-up costs associated with entering the solar panel and battery installation market. In order to focus on our core multiservice proposition, we took the decision to divest the business in March to Charles Wigoder, Executive Chairman of the Group, for cash consideration of £1.

Wholesale energy markets remain volatile. We have just seen the Government price cap increase by 54% from April, and it is now inevitable that prices will rise significantly again in October. In addition, the ramifications of the additional SOLR processes are yet to be fully seen, with costs still to be absorbed by the market and new requirements on existing and new market entrants expected. Energy prices are therefore likely to remain high for the foreseeable future.

We have already seen early indications of customers actively taking steps to reduce their energy consumption in response to higher prices, and it seems increasingly likely that additional Government support will be provided for those most at risk of fuel poverty this winter. The combination of these two

factors suggest that any increase in bad debts across the energy industry this year will be more manageable than had previously been feared, although uncertainty remains over the eventual impact.

In any event, we expect to be sheltered to a degree from these pressures by our customer demographic which skews towards more mature, creditworthy, and multi-service homeowners.

### **Broadband**

Consumer expectations for broadband services have never been higher with demands for faster speeds and better in-home Wi-Fi coverage as a result of the pandemic continuing to impact consumer behaviour.

In H1 we saw a dip in our Broadband service numbers following a period of heavy re-contracting during the pandemic as people sought faster speeds; this resulted in many of our prospects being locked into their existing suppliers last summer with large termination fees and being cautious about disrupting their service.

As the national full fibre roll-out gathers pace, the quality of the in-home Wi-Fi experience is increasingly the important factor for customers, and a focus for us. In April last year we launched our Whole Home Wi-Fi solution, powered by the Amazon Eero mesh system, and we are pleased that a significant number of new customers now benefit from this chargeable option. In September we upgraded the router we offer at no additional cost to all new customers and we're delighted that in February Which? awarded it Best Buy status.

This February, responding to increasing budgetary pressures on household finances, and in stark contrast to the CPI+ annual price increases forced on their customers by the majority of large broadband providers, we launched a competitive pricing structure for new customers alongside a guarantee that we will not increase prices mid-contract. At the same time, we introduced a new, faster Full Fibre 500mb product to meet growing consumer demand at the top of the market. Combined with faster overall customer growth, these improvements have resulted in a return to growth for our broadband service and we expect this improved trajectory to continue.

### **Mobile**

The UK mobile market continues to be split between the big four Mobile Network Operators ("MNOs") focussed on coupled airtime and handset contracts and tied closely to a handset refresh cycle, and the largely SIM-only Mobile Virtual Network Operators ("MVNOs") offering more flexibility and more data at lower prices. SIM-only demand continues to grow and with more customers turning away from expensive handset contracts, our focus remains on a SIM-first strategy.

We continue to improve the quality of service for our new and existing customers with the roll-out of 4G and Wi-Fi calling during the year. Additionally, we have been proactively migrating some of our customers from legacy tariffs onto our current proposition to improve their experience at low or no additional cost.

In September we launched a new tariff structure to reflect the wider market demand for increased data allowances. At the same time we improved the pricing of our Unlimited data SIM - a change which has allowed us to offer one of the best value Unlimited tariffs in the market with additional value for households taking multiple SIMs.

In the second half of the year, the majority of mobile providers began to charge again for EU roaming. Along with a handful of other MVNOs we have continued to offer this to our customers at no additional cost as a key customer benefit and differentiator of our proposition.

Our mobile base has grown by over 7% in the last year. We look forward to accelerating this rate of growth over the year ahead on the back of the additional energy discounts customers can now receive by taking a UW mobile service in our new bundle structure, and as we continue to deliver feature improvements such as 5G.

### ***Insurance***

Insurance is increasingly proving itself a natural fit for our brand and business model, and we are pleased to have grown the number of insurance services by 36% over the year, and with the pace of growth now accelerating.

We have invested in building an insurance platform that can scale rapidly with high operating leverage, and are very excited by the growth opportunity that insurance represents for UW as our fourth core service: it is a key pillar of our future growth strategy.

We have been directly authorised by the FCA as an insurance broker since October 2020. We welcome their intervention to ban dual pricing in the home and motor insurance markets during the year, as well as the increased scrutiny of pricing practices more broadly, which we believe improves customer outcomes and strengthens our competitive position.

Across our Home Insurance and Boiler & Home Cover products, we continue to achieve very strong renewal retention rates of over 90%, demonstrating our focus on delivering excellent value combined with a best-in-class experience.

In March 2022 we integrated insurance into our bundle proposition, which has resulted in an increased propensity amongst new customers to take an insurance service at sign-up, and is an important step towards further scaling our insurance business.

We are committed to taking significant market share in the insurance markets, and are continuing to invest significantly in order to achieve this aim. Over the coming year we therefore will be focussed on further accelerating our insurance service growth, securing and, where possible, increasing our margins, and evaluating opportunities to expand our range of insurance products in the future.

### ***Cashback card***

Our unique Cashback card proposition enables our customers to save up to 10% at a range of participating retailers, and 1% on all their other spend, applied automatically as a credit to their next UW bill.

It materially increases the savings opportunity we offer our customers, from four essential household services to all their everyday spending - groceries, fuel, travel, clothing etc.

We launched the Cashback card in 2008 following the global financial crash and subsequent rise in cost of living. Petrol had just reached the £1/litre mark, and demand was high. As we enter a further period of considerably greater pressure on household budgets, we believe the Cashback card has a significant role to play in supporting our customers and accelerating our growth.

During the year we paid out £5.8m of cashback to our customers, and spend on the programme has grown to over £368m annually, making it one of the largest prepaid card programmes in the UK. In January we migrated over 300,000 cards to Mastercard, a move that, combined with our investment in the full stack infrastructure, will enable us to accelerate our innovation-led product roadmap in order to fully capitalise on the growth stimulus we believe the Cashback card represents.

## OPERATIONAL PERFORMANCE AND NON-FINANCIAL KPIs

The number of customers we supply increased during the year by over 10% to 728,680, and the number of services they take to 2,264,909. All of this growth was achieved organically, and predominantly during H2, in spite of our decision not to participate in the multiple opportunities which arose to acquire customer bases from insolvent suppliers during the autumn.

Our primary focus is the residential market, and in this segment our customer base increased by over 11% during the year. With 29 million households across the UK, we have just 2.5% market share.

<b>Customers</b>	<b>2022</b>	<b>2021</b>
Residential	705,634	633,613
Business	23,046	23,798
<b>Total</b>	<b>728,680</b>	<b>657,411</b>

We offer our customers four core services: broadband, mobile, energy and insurance, with many also taking our Cashback card. Customers can take any combination of services they wish from us, but given the clear correlation between the number of services they take and their expected lifetime value to us, we encourage new customers to switch as many services to us as they can in order to secure our best prices.

<b>Services</b>	<b>2022</b>	<b>2021</b>
<i>Core services</i>		
Energy	1,219,836	1,079,044
Broadband	323,623	324,499
Mobile	324,773	302,654
Insurance	44,834	32,928
<i>Other services</i>		
Cashback card	327,949	308,439
Legacy telephony	23,894	26,233
<b>Total</b>	<b>2,264,909</b>	<b>2,073,797</b>

*Note: The table above sets out the individual services supplied to customers. Legacy telephony comprises non-geographic numbers (08xx) and landline only (no broadband) services provided.*

The average number of services taken by new residential customers signed up by Partners fell slightly during FY22 compared with the preceding year, mainly due to an influx of customers over the autumn who were only looking to replace their previous energy supplier who had ceased trading. This



temporary bias towards new customers seeking to switch only their energy to UW was still visible, albeit less pronounced, in March 2022 on the back of 22 million households across the UK receiving price increase notifications from their energy suppliers in advance of the significant increase in the Government price cap on 1 April 2022.

**Average number of core service types taken by  
new  
residential customers signed up by Partners**

Q1 FY22	2.28
Q2 FY22	2.16
Q3 FY22	1.84
Q4 FY22	2.09

In late March we launched a simpler bundle proposition for our customers, in order to give them greater flexibility in accessing our lowest energy pricing. We expect this to have a positive impact on the average number of services taken per customer, whilst also reducing the proportion of new customers taking just energy from us, and leading to a greater proportion benefitting from a genuinely differentiated multiservice UW proposition: by taking two or more core services from us, customers are receiving a proposition that they cannot get from any other provider, rendering them less likely to leave us.

We have long benefitted from market-leading customer loyalty, and use our electricity supply point churn (the percentage of supply points leaving during the period) as a proxy for overall churn. This important measure of customer value fell significantly during the year to around 6% (2021: 13%) for the full year, with churn continuing at historic levels of around 10% during H1 followed by a rapid reduction to an annualised rate of 3% during H2 as all the remaining energy suppliers withdrew their 'below cost' acquisition tariffs in October. Whilst we do not anticipate that churn will remain at this very subdued level indefinitely, the ending of the energy price war and the increasing regulatory scrutiny on the sustainability of suppliers and their pricing strategies should ensure our churn rate remains considerably below historical levels for the foreseeable future.

Average revenue per customer from providing Core and Other services increased to £1,340 (2021: £1,254) primarily due to higher energy prices during the winter following the Government price cap increase in October.

***Supporting our customers***

In order to maximise the expected lifetimes of our customers, and 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.

We rely on the efforts of our colleagues in our unified support centre to look after all the services that our customers choose to take from us. Historically based in north London, these teams now increasingly support our customers from their homes throughout the UK: in offering our colleagues a more flexible approach to working hours, and through accessing a greater pool of talent nationwide, we believe we are well positioned to meet the needs of our customers as we grow. During the year we invested heavily in improving the support we offer our remote colleagues, providing them with improved home office systems and quicker and easier access to expert knowledge that is held within the business.

We continue to invest heavily in offering the digital experience that our customers increasingly expect from us - enabling them to self-serve without having to speak to one of our team if they wish. We further improved our UW customer app and online My Account functionality, increasing the range of self-service capabilities. We continue to employ numerous qualitative and quantitative performance measurement tools to monitor all aspects of our customers' interactions with us.

We are pleased to have been recognised as providing the [Best Customer Service](#) in the Uswitch Energy Awards 2022, and to have been identified as the supplier that customers are most likely to recommend. With numerous energy suppliers collapsing in the autumn, inflationary trends becoming apparent across all the markets in which we operate, and our growth rate accelerating, we have received significantly greater levels of contact from our customers in recent months; these endorsements are vital to our word of mouth marketing model, and are a testament to the positive attitudes and hard work of our support teams.

### ***Supporting our Partners***

The significant acceleration in our organic growth which started during the autumn was driven by an enthusiastic response from our Partners to the improved competitive landscape and the demand for a sustainable, secure and good value energy supplier.

As the energy market dynamics shifted in the autumn and our Partners began to understand how much more referable the UW customer proposition had become, and grow in confidence, we re-prioritised elements of our product roadmap accordingly.

Following the removal of social distancing restrictions, Partners continued to consistently sign up around 40% of new customers and Partners remotely, realising the ability to conduct their referrals nationally as opposed to locally, accessing a broader range of their friends and family and in a more convenient and efficient fashion.

We are pleased with the impact of the Customer Bonus that we launched last April, simplifying the structure, and acting as a key driver of the high recruitment and customer gathering levels we saw throughout the second half of the year. The Customer Bonus was originally conceived in the aftermath of the last inflationary cycle in 2008-2010, during which we were unable to offer new Partners a sufficient near-term income. We believe we are now exceptionally well placed to meet increasing demand for an additional near-term income, offering up to £300 in Customer Bonus for signing-up a home owner taking all four core services from us.

We are hugely encouraged by the number of new Partners who joined during the second half of the year, and believe that we can play an important role in helping thousands of families more than offset the increased cost of living they are facing, simply by recommending UW.

Our community of Partners is in a very different mode from 12 months ago. Confidence is returning, momentum is building, and whilst an informal word of mouth route to market will never respond instantaneously to improved market conditions, there has been an encouraging uptick in activity. The number of Partners actively referring customers, the value of Customer Bonuses earned, and the number of new and existing Partners earning them, all reached record levels towards the end of FY22.

### **OUR PRIORITIES FOR THE YEAR AHEAD**

Having delivered 10% growth in customer and service numbers in the second half of the year alone, and with a high degree of confidence over our continued growth trajectory, we have set three key business priorities for the year ahead.

**Building a great culture and environment for our people**

We aim to create a working environment - at home and in the office - that attracts great people, keeps great people and gets everyone talking proudly about UW.

The acceleration in the number of customers joining UW, combined with the severe squeeze on household incomes leading to heightened concern from our customers over their monthly outgoings, means our teams are extremely busy.

This, set against relatively recent adoption of entirely new ways of working, with the majority of our colleagues working from home all or most of the time, means we must redouble our efforts to create a working environment and culture that enables our people to grow as we grow, that values and respects the commitment and hard work of our teams, all of whom contribute to delivering our 'all your home services in one' proposition day in, day out.

**Looking after our customers as we grow**

We aim to deliver a multiservice customer experience that customers will increasingly refer to their friends and families, and view this as a key metric of our success.

We seek to reduce the need for customers joining UW to contact us directly by providing easier means to help themselves faster; this includes streamlining our onboarding processes and proactively providing them with timely information on each of the services they take from us.

We will continue to invest in delivering best in class service and support to all our customers, through growing our technology and customer support teams and improving the systems they use to do so.

**Maximising high-quality customer growth**

More and more people are turning to UW to earn an additional income, and we see considerable value in broadening the appeal of our Partner opportunity, making it more accessible and easier to make a success of, but still highly rewarding.

With the aim of helping tens of thousands of people, from all backgrounds, to meet the challenges of the rising cost of living we will continue to invest in making it easier for our Partners to successfully refer UW and earn in the process - be it improving the competitiveness of our customer offer, or the support and tools we provide to our Partners.

Ultimately we want all our customers to become genuine brand advocates, and to make additional savings on their bills simply by recommending UW to people they know.

**Stuart Burnett & Andrew Lindsay MBE**

Co-Chief Executive Officers

21 June 2022

## Financial Review

### Overview of Results

	Adjusted			Statutory		
	2022	2021	Change	2022	2021	Change
Revenue	£967.4m	£861.2m	12.3%	£967.4m	£861.2m	12.3%
Profit before tax	£61.9m	£56.1m	10.3%	£47.2m	£43.5m	8.5%
Basic EPS	63.2p	57.4p	10.1%	45.1p	41.5p	8.7%
Dividend per share	57.0p	57.0p	0.0%	57.0p	57.0p	0.0%

In order to provide a clearer presentation of the underlying performance of the group, adjusted profit before tax and adjusted basic EPS exclude share incentive scheme charges of £1.0m (2021: £1.4m) and the amortisation of the intangible asset of £11.2m (2021: £11.2m) arising from entering into the energy supply arrangements with npower in December 2013; this decision reflects both the relative size and non-cash nature of these charges. In FY22 adjusted profit before tax and adjusted basic EPS also exclude: (i) the loss on the disposal of UWHS (£1.1m), (ii) the write-off of goodwill associated with the conditional disposal of Glow Green of (£1.5m); and (iii) the profit on disposal of a freehold property of (£0.6m). The reconciliations for adjusted profit before tax and adjusted EPS are set out in notes 2 and 3 respectively.

### Summary

Adjusted profit before tax increased by 10.3% to £61.9m (2021: £56.1m) on higher revenues of £967.4m (2021: £861.2m). Statutory profit before tax increased 8.5% to £47.2m (2021: £43.5m). These increases mainly reflect the impact of customer growth and higher retail energy prices from 1 October 2021 (in line with an increase in the Government price cap).

Distribution expenses increased to £29.7m (2021: £27.8m), mainly reflecting increased Partner activity during the second half.

Administrative expenses (excluding share incentive scheme charges and amortisation of the energy supply agreement intangible) increased during the year by £7.6m to £84.4m (2021: £76.8m), mainly as a result of higher staff, technology and infrastructure costs as we responded to the rapid increase in the rate of customer growth during the autumn.

The bad debt charge for the year (separately identified on the income statement as impairment loss on trade receivables) increased to £11.6m (2021: £11.2m) representing 1.2% of revenues (2021: 1.3%).

Adjusted earnings per share increased by 10.1% to 63.2p (2021: 57.4p), with statutory EPS increasing by 8.7% to 45.1p (2021: 41.5p). In accordance with previous guidance and our strong cash position, the Board is proposing to pay a final dividend of 30p per share (2021: 30p), making a total dividend of 57p per share (2021: 57p) for the year.

### Revenues

The growth in the number of services we are supplying significantly accelerated, with an increase of 191,000 services (2021: 51,000) during the course of the year, taking the total number of services provided to our customers to a little under 2.3 million (2021: 2.1 million).

The increase in revenues mainly reflects higher customer numbers and energy prices during the period:

<b>Revenues £m</b>	<b>2022</b>	<b>2021</b>
Electricity	450.5	391.8
Gas	295.7	248.0
Landline and broadband	129.7	132.2
Mobile	44.7	40.6
Other	46.8	48.6
	<b>967.4</b>	<b>861.2</b>

### **Margins**

Our overall gross margin for the year was 19.5% (2021: 20.1%) mainly reflecting the higher proportion of energy sales during the period resulting from higher customer growth and increased prices.

### **Distribution and Administrative Expenses**

Distribution expenses include the share of our revenues that we pay as commission to Partners, together with other direct costs associated with gathering new customers. These increased to £29.7m (2021: £27.8m), mainly reflecting higher Partner commissions and incentive costs associated with our rapid return to sustainable growth in the second half of the year.

Administrative expenses (excluding share incentive scheme charges and amortisation of the energy supply agreement intangible) increased during the year by £7.6m to £84.4m (2021: £76.8m), mainly as a result of higher staff, technology and infrastructure costs. The increase in staff costs mainly reflects the investment in strengthening our customer service and management teams in order to ensure we continue to deliver outstanding service levels across all of our services as our growth accelerates.

The bad debt charge for the year increased to £11.6m (2021: £11.2m) representing 1.2% of revenues (2021: 1.3%). The proportion of customers with at least two energy bills outstanding, fell marginally to 2.04% (2021: 2.08%).

### **Disposals**

During the period the Group disposed of its shareholding in UW Home Services Limited ("UWHS") on 31 March 2022 for a consideration of £1 to Lowri Beck Holdings Limited, a specialist meter operator owned by the Calisen Group. The net assets of UWHS at the point of disposal were £1.1m and the loss on disposal for the Group was £1.1m. This has been shown separately on the face of the Consolidated Statement of Comprehensive Income.

The Group also agreed to sell, subject to the necessary FCA change of control approval, its 75% shareholdings in Glow Green Limited and Cofield Limited ("Glow Green") for a cash consideration of £1 to Charles Wigoder, Executive Chairman of the Group. As a result, the goodwill associated with Glow Green of £1.5m has been impaired in the current period, and this has been reflected in the 'Goodwill impairment' line in the Consolidated Statement of Comprehensive Income.

Since acquiring Glow Green in 2018, the business has been consistently loss-making; this has contributed to a cumulative funding requirement of over £6m that will remain with Glow Green as a debt to the Group and be repaid over time. The repayment of the loan has been personally guaranteed by Charles Wigoder. The Board believe that the disposal of Glow Green is in the best interests of the Group given the significant management resource it would otherwise require, particularly at a time when the growth opportunities within the core business are so exciting.

As a smaller related party transaction, this disposal fell within the requirements of section 11.1.10R of the Listing Rules and the Board obtained written confirmation from its sponsor (Peel Hunt) that the terms of the proposed transaction were fair and reasonable as far as the shareholders of the Group are concerned.

The Group also disposed of a freehold building during the period which realised a profit on disposal of £0.6m. This has been reflected in the Other income line in the Consolidated Statement of Comprehensive Income.

In order to show the underlying performance of the business, the loss on disposal of UWHS, impairment of goodwill associated with the conditional disposal of Glow Green, and the profit on disposal of the freehold building, have been excluded in calculating the adjusted profit before tax of £61.9m.

### **Cash, Capital Expenditure, Working Capital and Borrowings**

We ended the period with a net debt position including lease liabilities of £70.4m (2021: £71.4m), comprising bank loans of £99.2m and lease liabilities of £0.8m, less cash of £29.6m. This slight decrease mainly reflects a reduction in lease liabilities due to the disposal of UWHS, offset by increases in working capital. The Group's Net Debt/adjusted EBITDA ratio remains low at around 1.0x (adjusted EBITDA of £73.7m used in this ratio represents operating profit of £50.9m plus impairment of goodwill of £1.5m, depreciation and amortisation of £20.3m and share incentive scheme charges of £1.0m).

Our net working capital position showed a lower year-on-year cash outflow of £10.4m (2021: cash outflow of £12.5m); this reflects the ongoing investment we make in supplying broadband routers to customers and increased trade debtors. Capital expenditure of £9.9m (2021: £10.0m) related primarily to our continuing digital transformation programme.

### **Dividend**

The final dividend of 30p per share (2021: 30p) will be paid on 5 August 2022 to shareholders on the register at the close of business on 15 July 2022 and is subject to approval by shareholders at the Company's Annual General Meeting which will be held on 26 July 2022. This makes a total dividend payable for the year of 57p (2021: 57p).

Our medium-term intention remains to gradually return to a dividend pay-out ratio of around 85% of adjusted EPS, whilst maintaining our long-standing progressive dividend policy with reference to profit evolution.

### **Share Incentive Scheme Charges**

Operating profit is stated after share incentive scheme charges of £1.0m (2021: £1.4m). These relate to an accounting charge under IFRS 2 Share Based Payments ('IFRS 2').

As a result of the relative size of share incentive scheme charges as a proportion of our pre-tax profits, and the fluctuations in the amount of this charge from one year to another, we are separately disclosing this amount within the Consolidated Statement of Comprehensive Income for the period (and excluding these charges from our calculation of adjusted profits and earnings) so that the underlying performance of the business can be clearly identified. Our current adjusted earnings per share have also therefore been adjusted to eliminate these share incentive scheme charges.



## Taxation

A full analysis of the taxation charge for the year is set out in note 5 to the financial statements in the 2022 Annual Report. The tax charge for the year is £12.2m (2021: £11.0m).

The effective tax rate for the year was 25.9% (2021: 25.2%), this remains higher than the underlying rate of corporation tax due mainly to the ongoing amortisation charge on our energy supply contract intangible asset (which is not an allowable deduction for tax purposes).

## Nick Schoenfeld

Chief Financial Officer

21 June 2022

## Principal Risks and Uncertainties

### Background

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. A risk relating to climate change has been added during the period. Save as set out below the magnitude of any risks previously identified has not 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 is able to secure the wholesale supply of all the services it offers at competitive rates, enabling it to generate a consistently fair level of profitability from delivering a great value bundled proposition to its customers. There is an alignment of interests between the Group and its wholesale suppliers which means that it is in the interests of the suppliers to ensure that the Group remains competitive, driving growth and maximising their benefit from our complementary route to market.

Furthermore, the group benefits from a structural cost advantage, due to the multiple revenue streams it receives from customers who take more than one service-type, and only having one set of overheads. The Group has alternative sources of wholesale supply should an existing supplier become uncompetitive or no longer available.

In relation to energy specifically, the Group's wholesale costs are calculated by reference to a discount to the prevailing standard variable retail tariffs offered by the 'Big 6' to their domestic customers (effectively the Government price cap), which gives the Group considerable visibility over profit margins.

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, and 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. The Group is PCI compliant and 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, where required, companies within the Group are registered as data controllers 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 & Compliance teams.

### **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.

The regulatory framework for the UK's energy retail market, as overseen by Ofgem, is subject to continuous development. Any regulatory change decision could potentially lead to a significant impact on the sector, and the net profit margins available to energy suppliers. The current pace and extent of regulatory change is more substantial than in previous years. In addition to the industry-wide programmes of work, such as the rollout of smart meters, and a growing range of environmental and social obligations, Ofgem has been implementing a special package of reform measures. These special reforms have arisen in response to the 'energy crisis', which emerged in the autumn of 2021 and is associated with high wholesale energy costs and a consolidation of competition, with many new-entrant suppliers having ceased trading. The reforms cover the future of the price cap, assessing suppliers' financial resilience and compliance performance, and temporary interventions, in part, to protect suppliers from their financial exposures to the wholesale market. The Group tracks this changing landscape closely, to identify risks and opportunities, to prepare for any subsequent operational changes, and also to input directly into Ofgem's work.

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. The implementation of the European Electronic Communications Code will result in an increased regulatory burden and an even stronger Ofcom focus on compliance monitoring. Regulatory changes to the fixed line and broadband switching processes for next year are substantial and require cooperation from all fixed telecom providers. The Group is closely engaged in the relevant forums and industry groups to both influence and prepare for the changes.

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"). In addition, the Group holds consumer credit permissions related to the provision of staff and Partner loans and hire purchases. 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 and consumer credit services to staff and Partners.

Recent regulatory changes relating to insurance pricing and future expected changes around increased consumer protections could have a significant impact on the financial services sector as a whole and will need to be implemented across the business. The Group is closely monitoring and keeping abreast of these regulatory developments in order to prepare the business for the upcoming changes in this sector.

In general, the majority of the Group's services are supplied to consumers in 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 telecommunications 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.

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. 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 and managing the impact of a developing regulatory landscape in relation to climate change and the Net Zero transition. We have recently appointed a new Head of Sustainability role to support us in implementing developments in relation to the environment and climate change.

To mitigate the risks from failure to comply with legislative requirements in an increasingly active regulatory landscape, the Group's Legal & Compliance team has developed and rolled out robust policies and procedures, undertakes regular training across the business, continually monitors legal and regulatory developments and has recently recruited additional members into the Legal & Compliance team in order to increase available capacity and expertise.

### **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.

### **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.

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.

### **Wholesale price risk**

Whilst the Group acts as principal in most of the services it supplies to customers, 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 precise 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. 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 by others or increased price competition, could impact future profit margins and growth rates. In order to maintain its competitive position, there is a consistent focus on improving operational efficiency. New service innovations are monitored closely by senior management and the Group is generally able to respond within an acceptable timeframe where it is considered desirable to do so, by sourcing comparable features and benefits 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, further reduces 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. 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 using established reputable third party suppliers.

#### **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 high level of penetration the Group has achieved in its installed base of smart meters.

#### **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.

#### **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 a disease or virus outbreak (or different variants of an existing disease or virus emerging) which are resistant to vaccinations and/or treatments, and which causes serious incapacity amongst those infected, the Company faces a number of risks 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/disease, 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/disease 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; (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.

**Climate change risk**

Climate change has the potential to significantly impact the future of our planet. Everyone has a role to play in reducing the effects of harmful GHG emissions in our atmosphere and ensuring that we meet a 1.5°C target in line with the Paris Agreement. No business is immune from the risks associated with climate change as it acts as a driver of other risks and affects government decision-making, consumer demand and supply chains. In recognition of this, the Group has designated climate change as a standalone principal risk for our business and has assigned the Legal & Compliance Director as the owner for managing climate change risk.

We are committed to implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and this year, we have made our first set of disclosures consistent with the TCFD

framework in our 2022 Annual Report including our considerations of the specific risk implications to the Group arising from climate change.

We are developing our metrics and planning our targets to achieve Net Zero by 2040 in line with SBTi. To assist with this, we are working with third parties and have invested in software to develop and manage progress against our targets.

## Consolidated Statement of Comprehensive Income

For the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Revenue	1	967,433	861,204
Cost of sales		(778,958)	(688,104)
<b>Gross profit</b>		<b>188,475</b>	<b>173,100</b>
Distribution expenses		(29,686)	(27,849)
Administrative expenses		(84,423)	(76,820)
Share incentive scheme charges		(960)	(1,377)
Amortisation of energy supply contract intangible		(11,228)	(11,228)
Total administrative expenses		(96,611)	(89,425)
Impairment loss on trade receivables		(11,566)	(11,213)
Impairment of goodwill		(1,536)	-
Other income		1,844	1,175
<b>Operating profit</b>		<b>50,920</b>	<b>45,788</b>
Financial income		136	84
Financial expenses		(2,709)	(2,358)
<b>Net financial expense</b>		<b>(2,573)</b>	<b>(2,274)</b>
Loss on disposal of subsidiary		(1,139)	-
<b>Profit before taxation</b>		<b>47,208</b>	<b>43,514</b>
Taxation		(12,205)	(10,955)
<b>Profit for the period</b>		<b>35,003</b>	<b>32,559</b>
Profit and other comprehensive income for the year attributable to owners of the parent		35,467	32,577
Loss for the year attributable to non-controlling interest		(464)	(18)

**Profit for the period**

		35,003	32,559
Basic earnings per share	3	45.1p	41.5p
Diluted earnings per share	3	45.0p	41.4p

**Consolidated Balance Sheet**  
 As at 31 March 2022
**Assets**

	2022	2021*
	£'000	£'000
<b>Non-current assets</b>		
Property, plant and equipment	26,180	34,865
Investment property	8,345	8,575
Intangible assets	152,418	160,626
Goodwill	3,742	5,324
Other non-current assets	32,855	28,595
<b>Total non-current assets</b>	<b>223,540</b>	<b>237,985</b>

**Current assets**

Inventories	4,152	6,325
Trade and other receivables	50,463	51,666
Current tax receivable	-	726
Accrued income	134,917	120,395
Prepayments	4,077	4,809
Costs to obtain contracts	15,151	15,702
Cash	29,647	25,056
Assets classified as held for sale	3,838	-
<b>Total current assets</b>	<b>242,245</b>	<b>224,679</b>
<b>Total assets</b>	<b>465,785</b>	<b>462,664</b>

**Current liabilities**

Trade and other payables	(38,101)	(30,374)
Accrued expenses and deferred income	(113,493)	(122,295)
Current tax payable	(8)	-
Liabilities classified as held for sale	(7,551)	-
<b>Total current liabilities</b>	<b>(159,153)</b>	<b>(152,669)</b>

**Non-current liabilities**

Long term borrowings	(99,215)	(89,376)
Lease liabilities	(766)	(7,096)
Deferred tax	(1,078)	(1,145)
<b>Total non-current liabilities</b>	<b>(101,059)</b>	<b>(97,617)</b>

**Total assets less total liabilities**

	205,573	212,378
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**Equity attributable to equity holders of the parent**

Share capital	3,982	3,970
Share premium	147,112	145,094
Capital redemption reserve	107	107
Treasury shares	(5,502)	(5,502)
JSOP reserve	(1,150)	(1,150)
Retained earnings	61,935	70,306
	206,484	212,825
Non-controlling interest	(911)	(447)
<b>Total equity</b>	<b>205,573</b>	<b>212,378</b>

\* The presentation of the balance sheet has been re-stated to reclassify the Costs to obtain contracts on the face of the statement, previously these were included in Trade and other receivables and Prepayments (refer to the Presentation of financial statements section of the Notes to the consolidated financial statements in the Annual Report).

## Consolidated Cash Flow Statement

For the year ended 31 March 2022

	2022	2021
	£'000	£'000
<b>Operating activities</b>		
Profit before taxation	47,208	43,514
Adjustments for:		
Net financial expense	2,573	2,274
Impairment of goodwill	1,536	-
Loss on disposal of subsidiary	1,139	-
Depreciation of property, plant and equipment	4,558	4,731
Profit on disposal of fixed assets	(940)	(47)
Amortisation of intangible assets	15,786	14,550
Amortisation of debt arrangement fees	436	356
Decrease/(increase) in inventories	2,173	(1,694)
Increase in trade and other receivables (including Costs to obtain contracts)	(18,750)	(6,713)
Increase/(decrease) in trade and other payables	6,144	(4,046)
Share incentive scheme charges	960	1,377
Corporation tax paid	(11,528)	(10,945)
<b>Net cash flow from operating activities</b>	<b>51,295</b>	<b>43,357</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(2,196)	(2,582)
Purchase of intangible assets	(7,747)	(7,457)
Disposal of property, plant and equipment	1,567	100
Interest received	136	98
<b>Cash flow from investing activities</b>	<b>(8,240)</b>	<b>(9,841)</b>
<b>Financing activities</b>		
Dividends paid	(44,787)	(44,708)
Interest paid	(2,630)	(2,002)
Interest paid on lease liabilities	(238)	(246)
Drawdown of long term borrowing facilities	65,000	30,000
Repayment of long term borrowing facilities	(55,000)	(35,000)
Fees associated with borrowing facilities	(597)	-
Repayment of lease liabilities	(1,530)	(1,321)
Issue of new ordinary shares	2,032	1,206
Cancellation of B shares in subsidiary	(2)	-
<b>Cash flow from financing activities</b>	<b>(37,752)</b>	<b>(52,071)</b>
Increase/(decrease) in cash and cash equivalents	5,303	(18,555)
Net cash and cash equivalents at the beginning of the year	25,056	43,611
<b>Net cash and cash equivalents at the year end</b>	<b>30,359</b>	<b>25,056</b>
Cash and cash equivalents per balance sheet	29,647	25,056
Cash and cash equivalents included within assets classified as held for sale	712	-
<b>Net cash and cash equivalents at the year end</b>	<b>30,359</b>	<b>25,056</b>

## Consolidated Statement of Changes in Equity

For the year ended 31 March 2022

	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 as at 1 April 2020	3,962	143,896	107	(5,502)	(1,150)	81,068	(429)	221,952
Profit and total comprehensive income	-	-	-	-	-	32,577	(18)	32,559
Dividends	-	-	-	-	-	(44,708)	-	(44,708)
Credit arising on share options	-	-	-	-	-	1,377	-	1,377
Deferred tax on share options	-	-	-	-	-	(8)	-	(8)
Issue of new ordinary shares	8	1,198	-	-	-	-	-	1,206
Balance at 31 March 2021	3,970	145,094	107	(5,502)	(1,150)	70,306	(447)	212,378
Balance at 1 April 2021	3,970	145,094	107	(5,502)	(1,150)	70,306	(447)	212,378
Profit and total comprehensive income	-	-	-	-	-	35,467	(464)	35,003
Dividends	-	-	-	-	-	(44,787)	-	(44,787)
Credit arising on share options	-	-	-	-	-	960	-	960
Deferred tax on share options	-	-	-	-	-	(11)	-	(11)
Issue of new ordinary shares	14	2,018	-	-	-	-	-	2,032
Cancellation of B shares in subsidiary	(2)	-	-	-	-	-	-	(2)
Balance at 31 March 2022	3,982	147,112	107	(5,502)	(1,150)	61,935	(911)	205,573

## Notes

### 1. Revenue

#### Revenue by service

	2022 £'000	2021 £'000
Electricity	450,544	391,813
Gas	295,696	248,008
Fixed communications	129,703	132,241
Mobile	44,673	40,580
Other	46,817	48,562
	<u>967,433</u>	<u>861,204</u>

The Group operates solely in the United Kingdom.

### 2. Alternative performance measures

In order to provide a clearer presentation of the underlying performance of the group, adjusted profit before tax and adjusted basic EPS exclude share incentive scheme charges and the amortisation of the intangible asset arising from entering into the energy supply arrangements with npower in December



2013; this decision reflects both the relative size and non-cash nature of these charges. The loss for the period attributable to the non-controlling interest is excluded as these losses are not attributable to shareholders of the Company. In FY22 adjusted profit before tax also excludes: (i) the loss on the disposal of UWHS, (ii) the write-off of goodwill associated with the conditional disposal of Glow Green; and (iii) the profit on disposal of a freehold property; this decision reflects the one-off non-operating nature of these items.

	2022	2021
	£'000	£'000
Statutory profit before tax	47,208	43,514
Adjusted for:		
Loss for period attributable to non-controlling interest	464	18
Amortisation of energy supply contract intangible assets	11,228	11,228
Share incentive scheme charges	960	1,377
Loss on disposal of subsidiary - UWHS	1,139	-
Impairment of goodwill - Glow Green	1,536	-
Profit on sale of freehold property	(603)	-
Adjusted profit before tax	61,932	56,137

### 3. Earnings per share

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

	2022	2021
	£'000	£'000
Earnings for the purpose of basic and diluted EPS	35,467	32,577
Share incentive scheme charges (net of tax)	793	1,194
Amortisation of energy supply contract intangible assets	11,228	11,228
Loss on disposal of subsidiary - UWHS	1,139	-
Impairment of goodwill - Glow Green	1,536	-
Profit on disposal of freehold office building (net of tax)	(488)	-
Earnings excluding share incentive scheme charges and amortisation of intangibles for the purpose of adjusted basic and diluted EPS	49,675	44,999
	Number	Number
	('000s)	('000s)
Weighted average number of ordinary shares for the purpose of basic EPS	78,601	78,433
Effect of dilutive potential ordinary shares (share incentive awards)	286	273
Weighted average number of ordinary shares for the purpose of diluted EPS	78,887	78,706
Adjusted basic EPS <sup>[1]</sup>	63.2p	57.4p
Basic EPS	45.1p	41.5p
Adjusted diluted EPS <sup>1</sup>	63.0p	57.2p

Diluted EPS

45.0p

41.4p

It has been deemed appropriate to present the analysis of adjusted EPS excluding share incentive scheme charges due to the relative size and historical volatility of the charges. In view of the size and nature of the charge as a non-cash item the amortisation of intangible assets arising from the energy supply agreement with npower has also been adjusted.

#### 4. Dividends

	2022	2021
	£'000	£'000
Prior year final paid 30p (2021: 30p) per share	23,559	23,524
Interim paid 27p (2021: 27p) per share	21,228	21,184

The Directors have proposed a final dividend of 30p per ordinary share totalling approximately £23.6 million, payable on 5 August 2022, to shareholders on the register at the close of business on 15 July 2022. In accordance with the Group's accounting policies the dividend has not been included as a liability as at 31 March 2022. This dividend will be subject to income tax at each recipient's individual marginal income tax rate.

#### 5. Related parties

##### Identity of related parties

The Company has related party relationships with its subsidiaries and with its directors and executive officers. Related party transactions are conducted on an arm's length basis.

##### Transactions with key management personnel

Directors of the Company and their immediate relatives control approximately 16.3% of the voting shares of the Company. No other employees are considered to meet the definition of key management personnel other than those disclosed in the Directors' Remuneration Report.

Details of the total remuneration paid to the directors of the Company as key management personnel for qualifying services are set out below:

	2022	2021
	£'000	£'000
Short-term employee benefits	3,200	2,882
Deferred shares bonus	443	383
Social security costs	428	386
Post-employment benefits	12	11
	4,083	3,662
Share incentive scheme charges	42	139
	4,125	3,801

During the year, the Group acquired goods and services worth £Nil (2021: £Nil) from companies in which directors have a beneficial interest. No amounts were owed to these companies by the Group as at 31 March 2022. During the year, the Group sold goods and services worth £Nil (2021: £Nil) to companies in which directors have a beneficial interest.

During the year directors purchased goods and services on behalf of the Group worth £306,000 (2021: £145,000). The directors were fully reimbursed for the purchases and no amounts were owing to the directors by the Group as at 31 March 2022. During the year the directors purchased goods and services from the Group worth approximately £28,000 (2021: £27,000) and persons closely connected with the directors earned commissions as Partners for the Group of approximately £6,000 (2021: £7,000).

As set out in note 6, the Group has agreed to sell, subject to the necessary FCA change of control approval, its 75% interests in Glow Green Limited and Cofield Limited to Executive Chairman Charles Wigoder.

### Subsidiary companies

During the year ended 31 March 2022, the Company purchased goods and services from the subsidiaries in the amount of £96,000 (2021: £153,000 purchased by the Company from the subsidiaries).

During the year ended 31 March 2022 the Company also received distributions from subsidiaries of £50,000,000 (2021: £50,000,000). At 31 March 2022 the Company owed the subsidiaries £55,257,000 which is recognised within trade payables (2021: £61,204,000 owed by the Company to the subsidiaries).

## 6. Disposals

The Group disposed of its shareholding in UW Home Services Limited ("UWHS") on 31 March 2022 for consideration of £1 to Lowri Beck Holdings Limited, a specialist meter operator owned by the Calisen Group. The net assets of UWHS at the point of disposal were £1.1m and the loss on disposal for the Group was £1.1m. This has been shown in a separate line on the face of the Consolidated Statement of Comprehensive Income.

The Group has also agreed to sell, subject to the necessary FCA change of control approval, its 75% shareholdings in Glow Green Limited and Cofield Limited ("Glow Green") for cash consideration of £1 to Charles Wigoder, Executive Chairman of the Group.

Since acquiring Glow Green in 2018, the business has been consistently loss-making; this has contributed to a cumulative funding requirement of over £6m that will remain with Glow Green as a debt to the Group and be repaid over time. The repayment of the loan has been personally guaranteed by Charles Wigoder. The Board believe that the disposal of Glow Green is in the best interests of the Group given the significant management resource it would otherwise require, particularly at a time when the growth opportunities within the core business are so exciting.

As a smaller related party transaction, this disposal fell within the requirements of section 11.1.10R of the Listing Rules and the Board obtained written confirmation from its sponsor that the terms of the proposed transaction were fair and reasonable as far as the shareholders of the Group are concerned. In the light of the consideration level the goodwill associated with Glow Green of £1.5m has been impaired in the current period. This has been reflected in the goodwill impairment line in the Consolidated Statement of Comprehensive Income.

The assets and liabilities of Glow Green have been reclassified as held for sale on the balance sheet. A summary of these assets and liabilities is shown below.

	2022 £'000	2021 £'000
<b>Assets classified as held for sale</b>		
Property, plant and equipment	673	-
Inventories	934	-
Trade and other receivables	1,519	-
Cash and cash equivalents	712	-
	<u>3,838</u>	<u>-</u>
<b>Liabilities classified as held for sale</b>		
Trade and other payables	(7,064)	-
Accrued expenses and deferred income	(101)	-
Finance lease liabilities	(386)	-
	<u>(7,551)</u>	<u>-</u>

## 7. Basis of preparation

The financial information set out above does not constitute the Group's statutory information for the years ended 31 March 2022 or 2021, but is derived from those accounts. The Group's consolidated financial information has been prepared in accordance with accounting policies consistent with those

adopted for the year ended 31 March 2021. Statutory accounts for 2021 have been delivered to the Registrar of Companies and those for 2022 will be delivered following the Company's annual general meeting. The auditor has reported on these accounts, their reports were unqualified and did not contain statements under the Companies Act 2006, s498(2) or (3).

## 8. Directors' responsibility statement

The directors confirm, to the best of their knowledge:

(a) the financial statements, prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and

(b) the Chairman's Statement, Co-Chief Executives' Review, Financial Review and Principal Risks and Uncertainties include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The directors of Telecom Plus PLC and their functions are listed below:

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

By order of the Board

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<sup>[1]</sup> Adjusted basic and diluted EPS exclude share incentive scheme charges and the amortisation of the intangible asset recognised as a result of the new energy supply arrangements entered into with npower in December 2013.

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