

REPORT AND ACCOUNTS

YEAR ENDED

31 MARCH 2012



Home Phone



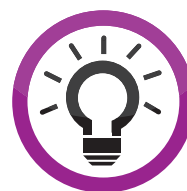
Mobile



Internet



Gas



Electricity



CONTENTS

Our Services	2
Directors, Secretary and Advisors	4
Financial and Operating Highlights	6
Chairman's Statement	7
Business Review	11
Financial Review	21
Directors' Report	25
Corporate Governance Statement	29
Directors' Remuneration Report	34
Nomination Committee Report	40
Audit Committee Report	41
Directors' Responsibilities Statement	43
Independent Auditor's Report	44
Consolidated Statement of Comprehensive Income	46
Consolidated and Company Balance Sheets	47
Consolidated and Company Cash Flow Statements	48
Consolidated Statement of Changes in Equity	49
Company Statement of Changes in Equity	50
Notes to the Consolidated Financial Statements	51



OUR SERVICES

Trading as the Utility Warehouse, Telecom Plus PLC provides a range of essential services to households and small- to medium-sized businesses, giving customers the convenience of a single monthly bill and substantial savings on the cost of their utilities. Most customers are members of our residential Discount Club, giving them access to a wide range of exclusive benefits.

The Company works in partnership with over 37,000 independent Distributors who attract new customers by personal recommendation, thus avoiding the need for expensive national advertising.

Distributors receive a small revenue share from each customer they introduce, which encourages them to focus on gathering creditworthy customers who take multiple services from us. These customers are able to benefit from unlimited free calls to landlines in the UK and our most popular international destinations, in addition to the savings they make on the individual services they have taken and the CashBack they earn by using our CashBack card.

FIXED TELEPHONY

Our fixed-line and internet telephony services give members significant savings on both call charges and line rental compared with BT, including the opportunity to make unlimited free local, national and international calls 24 hours a day, seven days a week.

MOBILE

With a wide range of handsets and competitive tariffs, our mobile phone service provides outstanding value and great savings. We also offer a unique 'budget control' option.

GAS AND ELECTRICITY

We provide consistently low prices to our members, with guaranteed savings for domestic customers compared with the prices charged by their incumbent regional electricity supply company or British Gas.

INTERNET

A choice of high-quality low-cost broadband services offering great value for the vast majority of domestic Internet users.

CASHBACK CARD

An exclusive pre-paid Mastercard® giving Discount Club members between 3% and 7% CashBack at a wide range of leading national retailers.

NON-GEOGRAPHIC NUMBERS

A range of low-cost non-geographic services (eg. 0800, 0845, 0870, 0871) designed to meet the needs of both domestic and small business customers.

The Utility Warehouse Discount Club

Benefits of membership include:

- Unique Price Promise
- Unlimited free calls
- Refer a Friend plan
- Cheaper online shopping
- Exclusive CashBack card
- No minimum contract term
- Freephone customer service and technical support
- Free accidental death cover
- Free redundancy protection



Home Phone



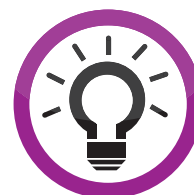
Mobile



Internet



Gas



Electricity

DIRECTORS, SECRETARY AND ADVISORS



**The Hon. Charles Wigoder,
Executive Chairman**

Charles, aged 52, qualified as a Chartered Accountant with KPMG in 1984 and was subsequently employed by Kleinwort Securities as an investment analyst in the

media and communication sectors. Between 1985 and 1988, he was head of corporate finance and development at Carlton Communications PLC and then Quadrant Group PLC. In March 1988 he left Quadrant Group to set up The Peoples Phone Company PLC, which was subsequently purchased by Vodafone in December 1996. He joined the Company in February 1998.



**Julian Schild,
Deputy Chairman and
Senior Non-Executive
Director**

Julian, aged 52, qualified as a Chartered Accountant in 1986. He joined Huntleigh Technology PLC in 1987 and was promoted to Group

Finance Director that year, and to Chairman in 2003.

Julian was Chairman of the Association of British Healthcare Industries from 2006 to 2007.

Following the sale of Huntleigh in 2007, he set up a company investing in start-ups. Julian actively supports many charitable activities. He is a Director of the Hospital of St. John & Elizabeth in London and of the English Concert and is an Advisory Fellow of Pembroke College, Oxford. Julian joined the Company in May 2010 as an independent non-executive director and meets the test of independence under section B.1.1 of the UK Corporate Governance Code.



**Andrew Lindsay MBE,
Chief Executive Officer**

Andrew, aged 35, joined the Company in April 2007 and was appointed to the Board in November 2008. Before joining Telecom Plus, Andrew was Managing Director of

Ryness, an electrical retail chain based in London in which he previously held a significant equity stake after performing a Management Buyout in 2006. Prior to buying Ryness, he spent three years as an analyst in the UK Mergers & Acquisitions team at Goldman Sachs. Andrew rowed for Great Britain at the Sydney Olympic Games in 2000, where he won a Gold medal.



**Chris Houghton,
Finance Director**

Chris, aged 33, qualified as a Chartered Accountant with PricewaterhouseCoopers in 2003. Whilst there he gained experience in both their Consumer Products team and also in their

Telecoms, Information, Communications, Entertainment and Energy team. Subsequently, he worked within the Corporate Finance department, where he completed a two-year secondment at The Takeover Panel. He joined the Company in September 2008 and was appointed Finance Director in February 2009.



**Melvin Lawson,
Non-Executive Director**

Melvin, aged 53, is the Managing Director of A Beckman PLC, a company formerly listed on the London Stock Exchange which was taken private in 1995. He has interests in a wide range

of investments and is a director of Catalyst Media Group PLC and a number of other companies. He joined the Company in September 2006 and meets the test of independence under section B.1.1 of the UK Corporate Governance Code.



**Michael Pavia,
Non-Executive Director**

Michael, aged 65, is a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW), and has significant experience of the energy industry, having

served on the Boards of LASMO, SEEBOARD and London Electricity. He is currently a non-executive director of Thames Water, Wales and West Utilities and Salamander Energy PLC, and non-executive Chairman of PetroGranada Ltd. He joined the Company in December 2006 as an independent non-executive director and meets the test of independence under section B.1.1 of the UK Corporate Governance Code.

COMPANY NUMBER

3263464

REGISTERED OFFICE

Network HQ,
333 Edgware Road,
London NW9 6TD

SECRETARY

David Baxter ACA

STOCKBROKERS

Peel Hunt Ltd
111 Old Broad Street,
London EC2N 1PH

Nplus1 Brewin LLP
12 Smithfield Street,
London EC1A 9BD

SOLICITORS

Nabarro LLP
Lacon House,
Theobald's Road,
London WC1X 8RW

AUDITORS

PKF (UK) LLP
Farringdon Place,
20 Farringdon Road,
London EC1M 3AP

BANKERS

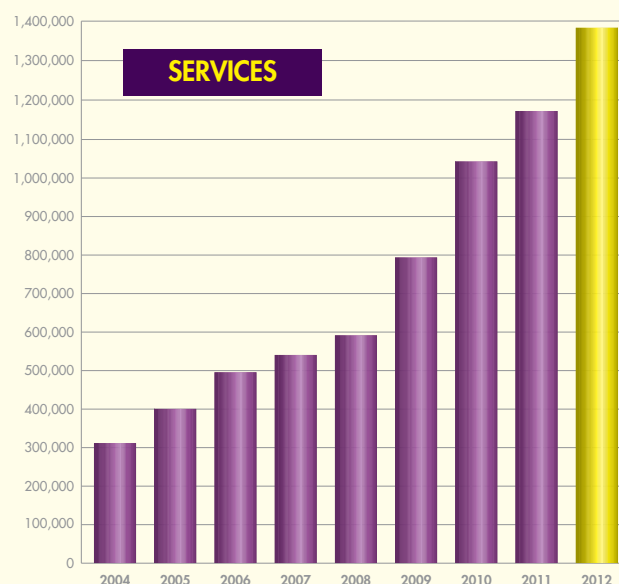
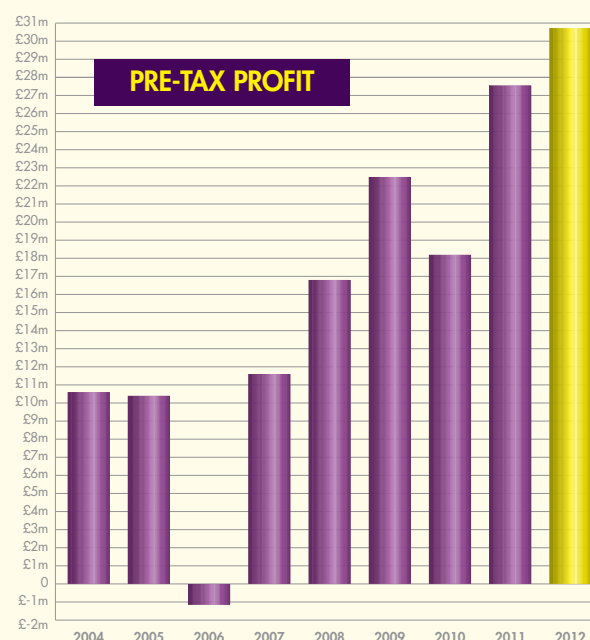
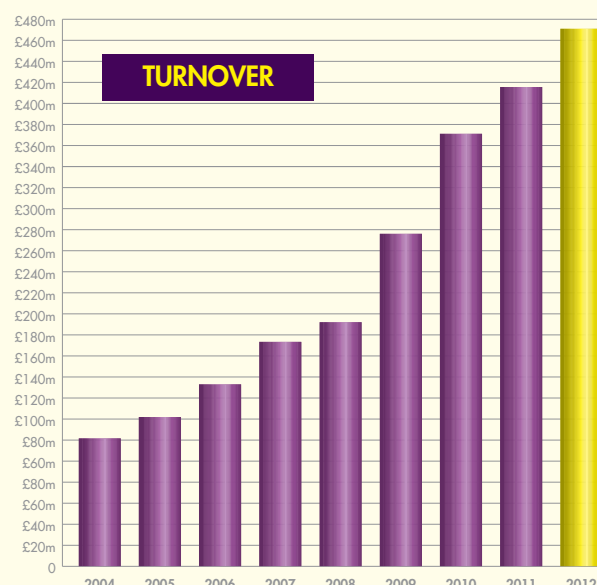
Barclays Bank PLC
1 Churchill Place,
London E14 5HP

REGISTRARS

Capita Registrars
The Registry,
34 Beckenham Road,
Beckenham, Kent BR3 4TU

FINANCIAL AND OPERATING HIGHLIGHTS

- Revenue up 13%
- Profit before tax up 12%
- EPS up 12% to 30.1p
- Dividend up 23% to 27p
- Strong cash generation
- Continued strong organic growth
- Continuing improvement in customer quality
- Doubling in proportion of new members taking at least four core services
- Lower customer churn
- Group customer base over 415,000
- 18% increase in number of services supplied
- Consistent recognition by *Which?* magazine



CHAIRMAN'S STATEMENT

I am delighted to report a further year of significant achievement for the Company, in which we have seen strong growth in the number of services we are providing and an improvement in the quality of our customer base. As a result, we have seen revenue and profitability both climbing to record levels.

RESULTS

Pre-tax profits increased by almost 12% to £30.7m (2011: £27.5m) on revenue up by 12.6% to £471.5m (2011: £418.8m); earnings per share for the year were 33.8p (2011: 30.1p).

The rise in revenue is due to strong organic growth in the number of customers using our services, the progressive improvement we are seeing in the quality of our customer base and a modest increase in energy prices at the start of the autumn, partially off-set by industry-wide reductions to gas prices at the end of February and a significant fall in the average amount of energy used by our customers during the year (caused by the swing from an exceptionally cold winter last year to a particularly warm winter this year).

We are particularly encouraged by the 18% growth in the number of services we are providing, which reached 1,381,023 (2011: 1,171,136) by the year end – an increase of almost 210,000 services during the year. This has been driven by a doubling in the proportion of new Gold Status customers taking at least four of our core services (Gas, Electricity, Home Phone, Mobile and Broadband) to almost 50% during the course of the year, and means that the average number of services taken by each residential Club member has increased to 3.63 (2011: 3.43).

Residential Club membership increased by almost 14% during the year to 333,497 (2011: 293,292) and business Club membership grew by 9% to 26,649 (2011: 24,506). These two Clubs (which trade under the Utility Warehouse brand) now account for 86.7% (2011: 85.6%) of our total customer base.

The net investment within our Customer Acquisition operating segment increased to £8.9m (2011: £5.1m) reflecting the faster rate at which we are signing up new customers and services; the impact of this on our profits for the year was tempered by the £3m marketing support payment we received from npower.

Strong cash generation during the year and the impact of our new supply agreement with npower enabled us to move from a net debt position of £13.1m to a net cash position of £0.9m at the year end. This has been achieved despite the purchase of a new headquarters office building, which we anticipate being able to occupy in around two years time following an extensive planned refurbishment programme.

In line with previous guidance, we are proposing a final dividend of 17p (2011: 14p), bringing the total for the year to 27p (2011: 22p); this represents an increase of 23% compared with last year. We anticipate further increases in dividends in future as our earnings continue to grow.

We were delighted to receive a number of further endorsements from *Which?* magazine during the year recognising the value we offer and the quality of service provided by our UK-based customer service team. This is a reflection of our continuing focus on delivering the best possible service, which has been assisted by the consolidation of all customer-facing staff into Network HQ, our head office building in north-west London, at the start of the year and the impact of our new Customer Service Director who joined us last April.

CHAIRMAN'S STATEMENT

CONTINUED

ENERGY SUPPLY ARRANGEMENTS

The new energy supply arrangements with npower which we announced 12 months ago have been successfully implemented. As a result, we have seen a substantial reduction in our peak working capital requirements and a corresponding improvement in our year end net cash position.

We intend to take full advantage of the commercial opportunity offered by these new supply arrangements to improve our competitive position over the medium term, notwithstanding that profit growth in the short term will be adversely affected by the high level of customer acquisition costs associated with this strategy.

OPUS

Our share of the profits from Opus Energy Group Ltd ("Opus"), in which we maintain a 20% stake, increased during the year to £2.7m (2011: £2.4m). This excellent result reflects a continuing strong trading performance, and the successful progress they are making in supplying gas alongside electricity into the small business and corporate sector. Their revenues increased by around 37% to just over £270m (2011: £197m) and profit before tax increased from £16.7m to £18.0m. We remain encouraged by the resilience of their business model and the strength and experience of their management team, and expect to receive a dividend of approximately £2.2m in July 2012. Our shareholding in Opus is valued on our balance sheet at £6.2m in line with standard accounting policy, notwithstanding our belief that its market value is substantially in excess of this figure; it remains our intention to maintain our stake in this rapidly growing, profitable and highly cash generative business for the foreseeable future.

WORKING CAPITAL

Our balance sheet at the year end shows a net cash position of £0.9m; this is a significant improvement on our net debt position of £13.1m at the end of last year, and has been achieved notwithstanding the purchase of a new headquarters office building shortly before the year end for £6.6m. Our strong cash generation during the year primarily reflects the assumption by npower of responsibility for funding the working capital requirements associated with providing energy to budget plan customers, pursuant to the terms of the new supply agreement which we entered into with them last May.

DIVIDEND

The final dividend of 17p per share (2011: 14p) will be paid on 3 August 2012 to shareholders on the register at the close of business on 20 July 2012 and is subject to approval by shareholders at the Company's Annual General Meeting which will be held on 18 July 2012. This makes a total dividend payable for the year of 27p (2011: 22p).

We anticipate that further growth in earnings from their current level will be reflected in a corresponding rise in the level of distributions to shareholders, subject to any retentions required to fund an increase in the working capital requirements of the business as it continues to grow.

BUSINESS DEVELOPMENT

Ongoing focus on higher quality customers

Customer quality remains a core focus for the business, and I am therefore delighted that the steps we have taken are delivering solid and measurable results.

The proportion of new residential Club members taking at least four of our core services (Gas, Electricity, Mobile, Home Phone and Broadband) rose progressively from 22% in March 2011 to almost 50% in March 2012 as we identified and removed various barriers to sale. This proportion has increased still further since the year end following the introduction of Gold Status, which provides an exclusive package of additional benefits to our most valuable customers.

Churn within our residential Club fell during the year to around 1.4% per month (2011: 1.7%), reflecting the higher proportion of homeowners, an increase in the average number of services being taken, and increasing penetration of our CashBack card; we expect to see a modest further reduction in our churn over the course of the current year as the overall quality of our customer base continues to improve.

We continue to invest significant resources installing prepayment meters at properties where the occupiers are unwilling to pay for the energy they are using by any other means, and installed 6,842 of them during the year (2011: 5,690). This took our base of prepayment meters to 22,477 (2011: 15,741) representing approximately 3.5% of the energy services we supply, and is expected to lead to a reduction in bad debts in due course as this ongoing programme leads to a lower proportion of delinquent energy customers next winter.

Distribution Channel

The number of new distributors joining the business remained constant throughout the year at around 1,000 per month, taking the total number of registered distributors at the year end to slightly over 37,000 (2011: 31,459).

We launched a number of changes during the year to help new distributors get started more quickly, including making attendance at one of our College of Excellence training courses a mandatory requirement, and the introduction of a new mentoring scheme. In January 2012 we adjusted the compensation plan in a number of key areas with the intention of securing its long term sustainability, increasing the level of personal commission, removing seasonal fluctuations in group commission, and capping the commission payable at each level of our leadership structure.

Our new website was introduced in November and has received a warm welcome from distributors. It incorporates an online application form which significantly speeds up the application process, reduces errors, and enables us to make seamless enhancements to our tariffs and/or services in future; we are delighted that around two-thirds of all new applications for residential Club membership have been received through our website in recent weeks.

Confidence and morale within the distribution channel has never been so high, as reflected by the consistently high level of activity we have been seeing since the New Year, when we announced a new opportunity for them to earn share options in the Company.

Premises & Systems

We anticipate outgrowing our existing offices in approximately two years' time, and have therefore recently purchased a new headquarters office building. Although in need of extensive refurbishment, this will in due course provide us with sufficient space in which to achieve our medium term ambition to build a substantially larger business. From a systems perspective, we have the capacity to manage a substantial increase in our current customer numbers, without the need for any material further investment.

OUTLOOK

We held our annual sales conference over the weekend of 24th and 25th March, shortly before the year end, with a record attendance of over 6,000 distributors. At this event we announced a number of important initiatives which received a positive reaction from those present. Whilst it is still too soon to assess their full impact, recent activity levels have been extremely encouraging.

Our intention is to continue to build upon the momentum which the business has developed over the last few years, to further increase both the quality and quantity of new customers being gathered, and we anticipate service numbers this year within our residential Club will grow by around 20%.

CHAIRMAN'S STATEMENT

CONTINUED

The additional investment in customer acquisition costs required to fund this continued rapid growth, and the absence of the £3m one-off marketing support contribution we received from npower last year, is likely to restrict any profit increase for the current year to around 10%; this is below the level which would otherwise have been expected given our service level growth this year. However, the benefits of this enhanced rate of high quality growth will start to come through from next year, when pre-tax profits are expected to increase by not less than the service level growth achieved this year.

Within the energy sector as a whole, significant investment is needed over the next decade to renew and extend the distribution network, replace nuclear and coal-fired generating plant that is approaching the end of its useful life, roll out smart meters, and encourage the take up of energy efficiency and renewable energy programmes. Notwithstanding the small reduction in retail energy prices we saw during the latter part of this winter, we expect the cost of these initiatives, combined with rising wholesale energy commodity costs (where the forward gas price for the coming winter is 15% higher than last year), will lead to a progressive increase in retail energy prices over the coming years.

We remain the UK's only fully integrated multi-utility provider, offering customers consistent value across a wide range of services with the added convenience of receiving a clear and concise integrated bill each month. Our distribution channel continues to demonstrate its ability to gather high quality new customers in increasing numbers, and the recent rise in the proportion of new members with Gold Status is particularly encouraging.

Our current market share of around 1.5% of UK households demonstrates the scale of the organic growth opportunity available to us, and the combination of our route to market and unique customer proposition gives us a significant competitive advantage. Our management team remain clearly focussed on reaching our medium term target of one million customers in due course, and to delivering the significant shareholder value which achievement of this goal would create.

The steadily improving quality of our customer base gives us good visibility over future revenues and margins on the various services we provide. This gives us confidence that our earnings for the current year will still be comfortably ahead of the level we have just reported, notwithstanding the increasing investment we are making in growing the business.

It only remains for me to thank my boardroom colleagues for their support and all our staff and distributors for their loyalty and hard work during the past year, and to wish each and every one of them success in the years to come.

Charles Wigoder

Executive Chairman

22 May 2012

BUSINESS REVIEW

PERFORMANCE

Overall performance for the year has been extremely encouraging in a number of key respects:

- faster organic growth with service numbers up by 18.0% (2011: 12.1%)
- significant improvement in customer quality
 - lower churn
 - lower delinquency
 - increase in number of services taken
- strong cash generation

Our improvement in organic growth has been driven by continuing high levels of confidence amongst our distributors in our brand and financial strength, the good value provided by our services, and our commitment to delivering a consistently first class customer service experience.

We are also benefiting from the continuing difficult economic climate, which makes both our value-based customer proposition and part-time earning opportunity look increasingly attractive against the background of a broader economy where working hours are being cut, wages are being frozen, part-time jobs are less readily available and disposable incomes are under pressure.

MARGINS

Our overall gross margin improved during the year to 16.2% (2011: 15.9%). The principal factors behind this were the favourable timing of the higher retail energy tariffs at the start of the autumn, combined with the benefit of the one-off £3m marketing support contribution which we received from npower during the year.

Although we anticipate a modest improvement in the gross margin we earn on each of the individual services we provide, the rising trend in energy retail prices (which has a high annual cost but a relatively low gross margin) is likely to account for an increasing proportion of household spend over time compared with telephony services (which have a much lower annual cost but a much higher gross margin). Notwithstanding the rising penetration of telephony services within our customer base this progressive change in the mix of our revenues means we are reducing our gross margin guidance, which is now expected to be within a range of 13% to 15% (slightly below the 14% to 16% range we had previously indicated) for the foreseeable future. However, the impact of this percentage reduction at the operating margin level should be more than offset by the improving quality of our customer base and increasing economies of scale as we continue to grow.

We maintain a strong focus on controlling our cost base, and are pleased that our administration expenses (which include bad debts) remained broadly steady at 6.9% of revenue despite worsening conditions in the wider economy, and a significant increase in headcount to support our investment in rapid organic growth. Bad debts remained stable as a percentage of sales at £9.3m (2011: £8.2m).

Distribution costs increased from 3.2% to 3.4% of turnover, primarily reflecting a substantial increase in customer acquisition costs during the year. This is a direct result of our decision to focus on acquiring higher quality customers, and willingness to incur the associated higher unit costs which will be more than offset by their significantly higher lifetime value. The total commission paid to distributors increased to £16.0m (2011: £13.3m) reflecting the growth in turnover and increase in growth related payments.

The increase in staff numbers reflects the growth in our customer base, as we focus on maintaining our strong reputation for delivering an exceptionally high standard of customer service. We continue to look for efficiency savings throughout the business, with a view to taking full advantage of the economies of scale we believe are achievable as we continue to grow.

BUSINESS REVIEW

CONTINUED

MARKET

Our focus is on supplying a wide range of essential utility services to both domestic and small business customers; these are substantial markets and represent a considerable opportunity for further organic growth.

We remain a small operator in a market dominated by former monopoly suppliers and a handful of other new entrants. However, our unique position as the only integrated multi-utility supplier gives us a considerable competitive advantage. We combine a highly efficient cost base, good customer service and competitive pricing with the unique benefit of a single monthly bill for each customer and an increasingly attractive range of other membership benefits.

CUSTOMERS

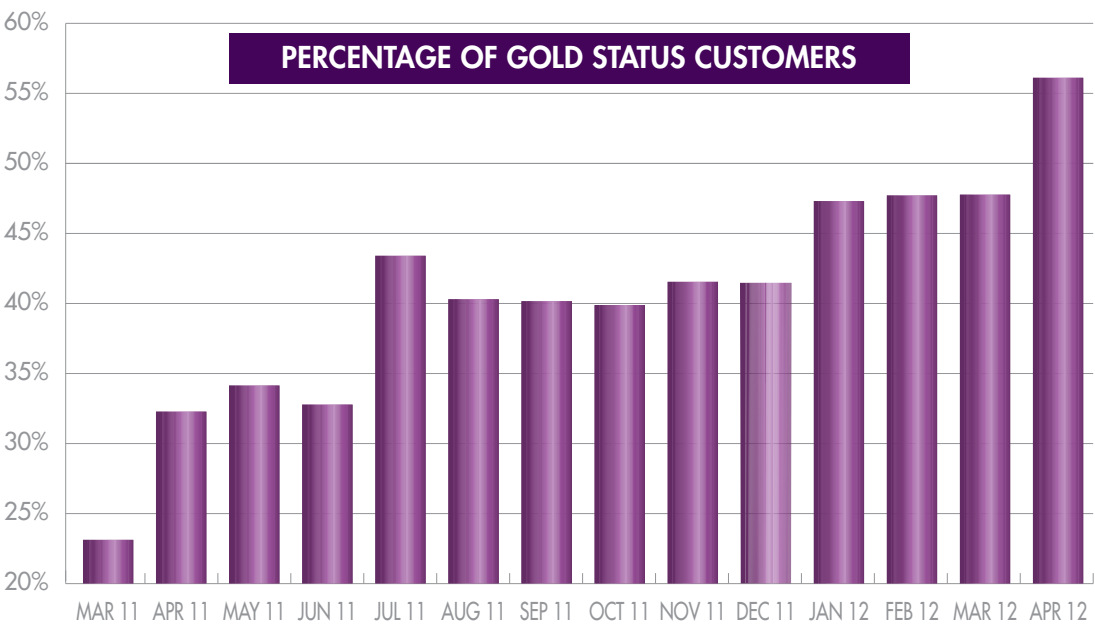
	2012	2011
Residential Club	333,497	293,292
Business Club	26,649	24,506
Total Club	360,146	317,798
Non Club	45,005	43,156
Total Telecom Plus	405,151	360,954
TML	10,338	10,396
Total Group	415,489	371,350

Our customer base can be split into four groups as set out in the above table, each of which has different characteristics:

- (i) Residential customers who are members of the Utility Warehouse Discount Club (80.3% of our customers). On average these customers each take 3.63 services;
- (ii) Small businesses who are members of the Utility Warehouse Discount Club for Business (6.4% of our customers). On average these customers each take 2.46 services;
- (iii) Residential customers who are not members of our Discount Club (10.8% of our customers). These are typically either households who became telephony customers before the Club concept was launched, or who have moved into a property where we are the incumbent energy supplier and have not yet applied to join the Club, or where we are only providing energy services on a prepayment basis. On average, these customers each take 1.64 services;
- (iv) Small businesses signed up through our wholly-owned TML subsidiary (2.5% of our customers). On average these customers each take 2.96 services.

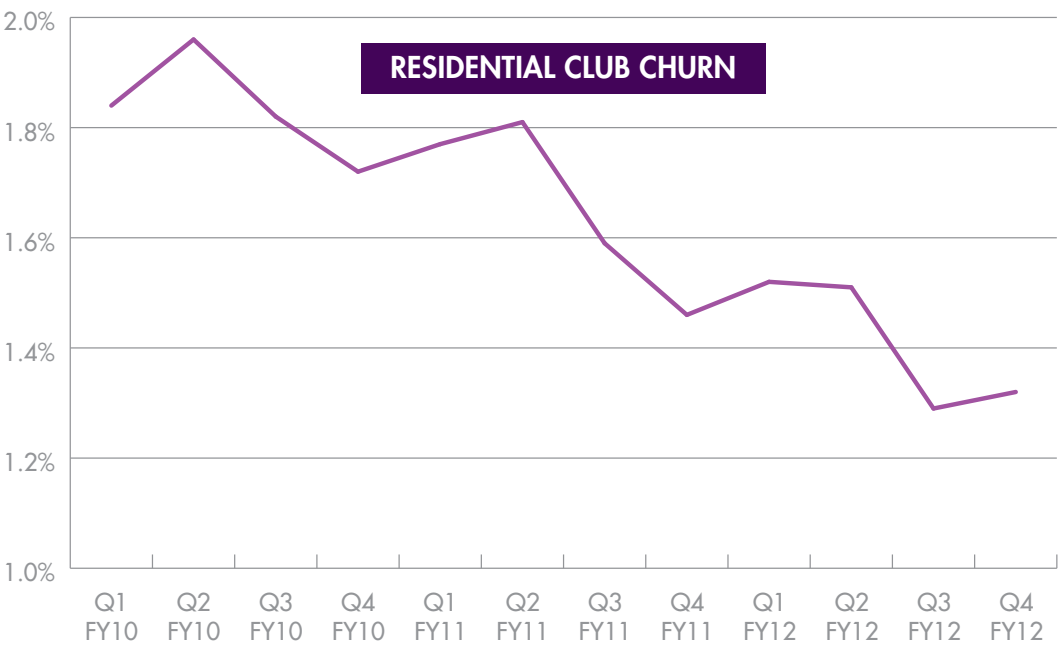
Within the residential Club, there is a further difference in quality (and therefore in the revenues and profits they will generate over the time they remain a Club member) both between customers who are homeowners and those who are tenants, and also depending on the numbers of services we are providing to them. We have therefore been extremely pleased to see an improvement in the proportion of homeowners to 74.9% during the course of the year.

More recently, we have achieved considerable success in focussing our distributors on gathering Gold Status members (customers taking at least 4 services) as can be seen from the graph below:



Members with Gold Status benefit from our most competitive prices, generate higher commission for distributors, and have the greatest lifetime value.

Overall monthly churn in our residential Club fell during the year to an average of around 1.4% (2011: 1.7%). This improvement illustrates the impact of the steadily improving quality of our customer base following the steps we have taken since 2009 to reduce the proportion of tenants, and reflecting the increasing average number of services being supplied:

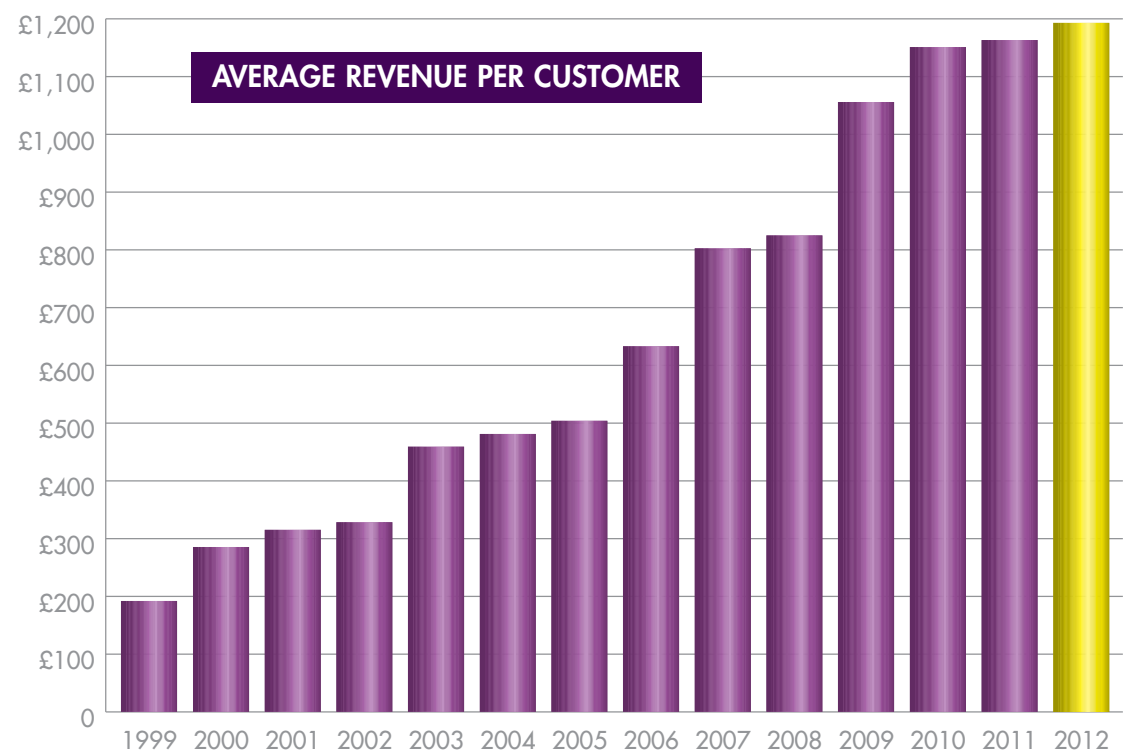


BUSINESS REVIEW

CONTINUED

These churn figures include any member who moves out of a property we are supplying (either because it is sold or they have come to the end of their tenancy), notwithstanding that a proportion of the new occupiers who move into such properties subsequently choose us as their new supplier; this means that if we reported our churn on the basis of services we cease to supply, then our reported churn would be even lower.

The rise in the average number of services being taken under our Utility Warehouse brand to 3.55 (2011: 3.36) and continued growth in our Business Club has led to a further increase in average revenue per customer during the year, partially offset by the adverse impact of the warm weather last winter:



(These revenue figures relate to the Customer Management operating segment and exclude our TML subsidiary)

We enjoy high levels of overall customer satisfaction, as evidenced by the positive reviews we receive from *Which?* magazine on a regular basis, the extensive customer survey we conducted last autumn (in which over 96% of respondents said they would recommend us to a friend), the relatively low churn we experience, and the growing confidence of our distribution channel.

Our exclusive CashBack card continues to generate significant monthly savings for our members, although we have seen a reduction in average spend as the recession has started to bite over the last 12 months. However, we have seen a positive trend in the number of customers who are using our online shopping portal and price comparison service to help them find the cheapest online supplier for a wide range of everyday household goods, and to earn additional CashBack.

SERVICES

Our full range of services include Fixed Telephony (calls and line rental), Mobile, Non-Geographic Numbers, CashBack card, Gas, Electricity and Broadband. At the year end we supplied a total of 1,381,023 services (2011: 1,171,136), representing a net overall increase of 17.9% during the course of the year.

Services	2012	2011
Electricity	348,629	296,412
Gas	290,057	249,482
Fixed Telephony (calls)	232,890	215,059
Fixed Telephony (line rental)	191,667	166,194
Broadband	140,771	113,411
Mobile	63,724	42,151
CashBack card	101,351	72,611
Non-Geographic Numbers	11,934	15,816
Total	1,381,023	1,171,136
Residential Club	1,211,122	1,007,185
Business Club	65,683	59,781
Total Club	1,276,805	1,066,966
Non Club	73,638	70,240
Total Telecom Plus	1,350,443	1,137,206
TML	30,580	33,930
Total Group	1,381,023	1,171,136

We saw strong quarterly growth in all the core services we provide (Gas, Electricity, Mobile, Home Phone and Broadband). Of particular note, the proportion of fixed telephony customers taking line rental as well as using us for their calls increased from 77% to 82% during the year, and the number of mobile services being provided increased by 51%.

CASHBACK CARD

Our exclusive CashBack card, which we launched in October 2008, is an important customer acquisition and retention tool. It gives our members the opportunity to achieve additional savings of between 3% and 7% on their shopping at a wide range of participating retailers, which they receive as a credit on their next monthly bill from us.

We have seen a 40% increase in the number of cards in issue to 101,351 (2011: 72,611), with the proportion of new residential Club members applying for a card now stable at around 35%. We believe this level of take-up reflects the difficulty faced by many new customers in funding the switch from paying in arrears on their current credit card, to paying for their purchases in advance with a prepaid card.

We paid over £4.4m (2011: £3.5m) in CashBack to our members during the year (funded entirely by the retailers in the programme), with many achieving a reduction of between 20% and 30% on the amount they pay for the utilities we are supplying to them each month, simply by using their CashBack card (instead of an alternative payment card) for most of their regular household shopping.

BUSINESS REVIEW

CONTINUED

CUSTOMER SERVICE

We pride ourselves on delivering first-class customer service through a single call centre based in the UK. We try to ensure where possible that the first person a customer speaks to is able to resolve any issues with their account, irrespective of how many different services we are providing to them.

We continue to invest in improving the customer service experience we deliver, with specialist teams focussed on managing delinquent customers and resolving issues which have arisen from the inefficiencies in the standard industry processes for switching energy customers between suppliers. We have introduced a range of qualitative and quantitative performance measurement tools into our call centre, which enable us to monitor and improve the overall quality of our members' customer service experience, and have been delighted at the consistently high customer service rating we receive in the regular surveys in *Which?* magazine.

EMPLOYEES

We rely on the combined efforts of nearly 600 employees to manage relationships with both our customers and distributors, and deliver a consistently high quality of service at all times. We pay considerable attention to recruiting, developing and retaining people with appropriate skills.

The combination of valuing and developing our staff, our service-oriented culture and the day-to-day reinforcement of our core values are key competitive advantages in enabling us to attract and retain a motivated, talented and diverse workforce. Opportunities for employment, training, career progression and promotion are determined on the basis of each individual's ability, attitude and track record, irrespective of their gender, ethnic origin, nationality, age, religion, sexual orientation or disability.

We continue to invest in our people, and have introduced a Management Development Programme and apprenticeship schemes. We promote from within where possible, and, to enhance career progression within the Company, have introduced a new role of Senior Advisor within our call centre and administration teams. Our monthly Employee Recognition Awards enable the Company to celebrate and reward employees who have performed exceptionally.

We keep employees informed on a regular basis of the financial performance of the business and other matters of potential concern to them, through the Company intranet, ad-hoc emails, the monthly Company newsletter and quarterly breakfast forums with the CEO.

We operate an 'open-door' policy throughout the business, and provide staff with various mechanisms for providing feedback and making suggestions, including an annual staff survey.

We have an active staff social committee which organises a wide range of events, supported by the Company, including the annual Summer and Christmas parties. We also have a 'Fun Fund' set aside for departmental social events.

We promote staff well being, through our 'Fit Pig' health awareness week, subsidised on-site fitness classes, periodic at-desk massages, healthy meal options in the staff canteen and a Cycle to Work scheme.

We continue to invest in our premises as necessary, to ensure the working environment is as attractive as possible, consistent with the practical needs of running the business.

With the exception of our warehouse team, all our employees now work together in Network HQ, our Head Office building. We operate a heavily subsidised staff restaurant, and provide a Recreation Room in both our Head Office and warehouse premises. We provide a wide range of other staff benefits including a significant discount on the services we provide, employee loans at preferential interest rates, a generous Christmas Bonus scheme and recognition for five and 10 years' service.

We are pleased to report that we have seen reduced levels of staff absence this year.

The Company operates an HM Revenue and Customs approved employee share option plan, under which employees are granted options to purchase shares in the Company which are exercisable between three and 10 years from the date of grant. The exercise price is the market price at the time of granting the option. Our policy is to issue options to all employees after the satisfactory completion of their probationary period, and additional options when 10 years' service has been completed and in other appropriate circumstances (eg. promotion). As at 31 March 2012 there were outstanding options over 1,411,720 shares which had been granted to staff, representing approximately 2% of the issued share capital of the Company.

Employees returning from maternity leave with children less than 12 months old are able to benefit from a company contribution towards the cost of an external childcare service provider of their choice. We also provide facilities for staff to purchase childcare vouchers in a tax-efficient manner using a salary sacrifice scheme, in accordance with HM Revenue and Customs guidelines.

We encourage all employees to participate in a stakeholder pension scheme operated by Legal & General. Participants can choose their own contribution level, which is matched by the Company within certain limits, depending on length of service.

DISTRIBUTORS

Distributors remain one of the key strengths of our business. In contrast to other utility suppliers, the alignment of financial interest provided by our revenue-sharing model, the structure of our compensation plan, and the substantial number of distributors who hold equity or share options in the Company, incentivises them to focus their activities on finding creditworthy higher-spending customers who will reap the maximum savings from using our services, and will thus be least likely to churn; by doing so, they maximise their own long-term income. This ensures that cases of mis-selling are generally both inadvertent and extremely rare.

We make available a variety of training courses both online and classroom based, designed to provide both the skills and knowledge they need to gather customers and recruit other distributors effectively and successfully; virtually all of these courses are free to attend.

Our Car Plan, which provides eligible distributors with a subsidised Utility Warehouse branded Mini, remains extremely popular. We supplied 61 new cars during the year, taking the total number in use to 370 (2011: 309). Users inform us that they find these helpful in raising their local profile, resulting in enquiries from both potential new customers and distributors.

ENVIRONMENT

We are conscious of the role we have to play in minimising the environmental impact of our activities.

We operate an energy efficiency helpline to provide advice to customers on how they can reduce their energy usage; we enable qualifying customers to access free home insulation; we actively promote Feed-In Tariffs; and we encourage customers to monitor their energy usage by providing regular meter readings.

Our 'online membership' offers customers additional savings in return for not receiving a paper bill each month. This category is attracting around one third of all new members, which has a beneficial impact on the amount of paper we use.

We launched an improved website for our distributors in November 2011, including an online application process. This is accounting for an average of between 60% and 70% of customer applications, which is expected to greatly reduce the quantity of paper application forms we need to print in future.

BUSINESS REVIEW

CONTINUED

We participate in the 'Shred-it' recycling programme, with a certificated saving of 374 trees during the year; we also recycle all of our cardboard, and use only fsc-certified paper; our office lighting is low-energy, and controlled by motion sensors, which automatically turn off lights in unused areas of the building; our air-conditioning is constantly monitored, and is zonal to small areas, allowing close management of heating and cooling.

We recycle both mobile phones and toner cartridges, within the scope of our Charity of the Year partnership.

SOCIAL ENGAGEMENT

We were very pleased to launch our first Charity of the Year partnership, starting in January 2012, in support of the Make-A-Wish foundation, which grants 'magical wishes' to children and young people fighting life-threatening conditions.

The choice of charity partner was made following a vote by both employees and distributors, who selected Make-A-Wish from a shortlist consisting of the five charities which had received the most nominations from our employees. The Company has agreed to match all monies raised for Make-A-Wish in 2012 by staff, distributors and customers, subject to a maximum of £100,000.

On a more local level, we have piloted a scheme to offer positions to unemployed young people living near our Head Office.

PRINCIPAL RISKS

Background

The Group faces various risk factors, both internal and external, which could have a material impact on long-term performance. However, the Company'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.

As described in the Corporate Governance Statement on page 33, 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.

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 and broadband internet) under the Utility Warehouse and TML brands. As a reseller, the Group does not own any of the network infrastructure required to deliver its services to customer. This means that while the Company is heavily reliant on third party providers, it is insulated from all the direct risks associated with owning and/or operating such capital intensive infrastructure itself.

The Group's services are promoted using 'word of mouth' by a large network of independent distributors, who are paid solely on a commission basis. This means that the Group has minimal 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 independent distributors is fundamental to the future success of the Group. Failure to meet expectations in terms of the services we provide, the way that we do business or in our financial performance could have a material negative impact on the Group's performance.

In relation to customer service, reputational risk is principally mitigated through a focus on closely monitoring staff performance and through the provision of rigorous staff training. During the year a new Customer Services Director was appointed to take direct responsibility for resolving any key issues which may arise.

Responsibility for maintaining effective relationships with suppliers and distributors 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 distributor 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 Company is dependent on its proprietary billing and customer management software for the successful operation of its business model. This software is developed and maintained in accordance with the changing needs of the business by a team of highly skilled, long-standing, motivated and experienced individuals.

All significant changes which are made to the billing and customer management software are extensively tested before launch and are ultimately approved by the heads of the IT and Billing departments in consultation with the Chief Executive as appropriate.

Back-ups of both the software and underlying billing and customer data are made on a regular basis and securely stored off-site. The Group also has extensive back-up information technology infrastructure in the event of a failure of the main system, ensuring that a near-seamless service to customers can be maintained.

Legislative and regulatory risk

The Group is subject to varying laws and regulations, including possible adverse effects from European regulatory intervention.

The majority of the Group's services are supplied into highly regulated markets, and this could restrict the operational flexibility of the business. In order to mitigate this risk, the Group maintains an appropriate relationship with both Ofgem and Ofcom (the UK regulators for the energy and communications markets respectively). We engage with officials from both these organisations on a periodic basis to ensure they are aware of our views when they are consulting on proposed regulatory changes, or if there are competition issues we need to raise with them. The Group is also exposed to European regulatory intervention, but there is little (if anything) we can do at a practical level to influence any such events.

However, it should be noted that the regulatory environment for the various markets in which we operate is generally focussed on promoting competition. As one of the new entrants, it seems reasonable to expect that most such changes will benefit the Group, given our relatively small size compared to the former monopoly incumbents with whom we compete.

Fraud and Bad debt risk

The Company has a universal supply obligation in relation to the provision of energy to domestic customers. This means that although the Company is entitled to request a reasonable deposit from potential new customers who are not considered creditworthy, the Company 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 ("Delinquent Customers"), there is likely to be a considerable delay before the Company is able to eliminate its exposure to future bad debt from them by either installing a pre-payment meter or disconnecting their supply, and the costs associated with preventing such Delinquent Customers from increasing their indebtedness are not always fully recovered.

BUSINESS REVIEW

CONTINUED

Fraud within the telephony industry may arise from customers using the services without intending to pay their supplier. The amounts involved are generally small as the Company has sophisticated call traffic monitoring systems to identify material occurrences of fraud. The Company is able to immediately eliminate any further bad debt exposure by disconnecting any telephony service that demonstrates a suspicious usage profile, or falls into arrears on payments.

More generally, we are also exposed to credit card fraud, where customers use stolen cards to obtain credit (eg. on their CashBack card) or goods (eg. Smart Phones) from us; we are constantly refining our fraud protection systems to reduce our exposure to such activities.

Wholesale prices

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 not exposed to either technological risk, capacity risk or the risk of obsolescence, as it can purchase the exact amount of each service required to meet its customers' needs each month.

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 either regulated (as in the energy market) or subject to significant competitive pressures (as in telephony and broadband). The profile of our customers, the significant quantities of each service they consume in aggregate, and our clearly differentiated route to market has historically proven attractive to potential partners, who compete increasingly aggressively in order to secure a share of our growing business.

The supply of energy, which accounts for an increasing proportion of sales each year, 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 Company has a long-standing supply relationship with npower under which they assume the substantive risks and rewards of hedging and buying energy for our customers.

As described in last year's annual report, the main supply agreement with npower was renewed on 24 May 2011 with npower additionally taking on the seasonal working capital obligation associated with supplying customers who use an annual budget plan to pay for their energy.

Competitive risk

The Group operates in highly competitive markets and significant product innovations or increased price competition could impact future profit margins. In order to maintain its competitive position, there is a constant focus on ways of improving operational efficiency and keeping the cost base as low as possible. New product innovations are monitored closely by senior management and the Group is typically able to respond rapidly by offering any new services through the infrastructure of its existing suppliers.

The Company offers a unique multiservice proposition. The increasing proportion of customers who are benefiting from a genuine multiservice proposition, that is unavailable from any other supplier, materially reduces any competitive threat.

Andrew Lindsay

Chief Executive Officer
22 May 2012

FINANCIAL REVIEW

OVERVIEW

Revenues of £471.5m (2011: £418.8m) were 12.6% higher than in the previous financial year to 31 March 2011; the pre-tax profit was £30.7m (2011: £27.5m).

The increase in revenue was achieved against a background of a particularly warm winter, and was primarily due to the increase in the number of services we provided compared with the previous year.

The improvement in pre-tax profitability of 11.8% was broadly in line with our increase in turnover, and reflects the costs associated with the sharp increase in our rate of organic growth over the course of the year.

Our balance sheet at the year end shows a net cash position of £0.9m. The significant improvement since last year when we reported £13.1m of net borrowings was achieved despite the £6.6m cash purchase of Merit House in February 2012, and reflects the successful implementation of our new supply agreement with npower.

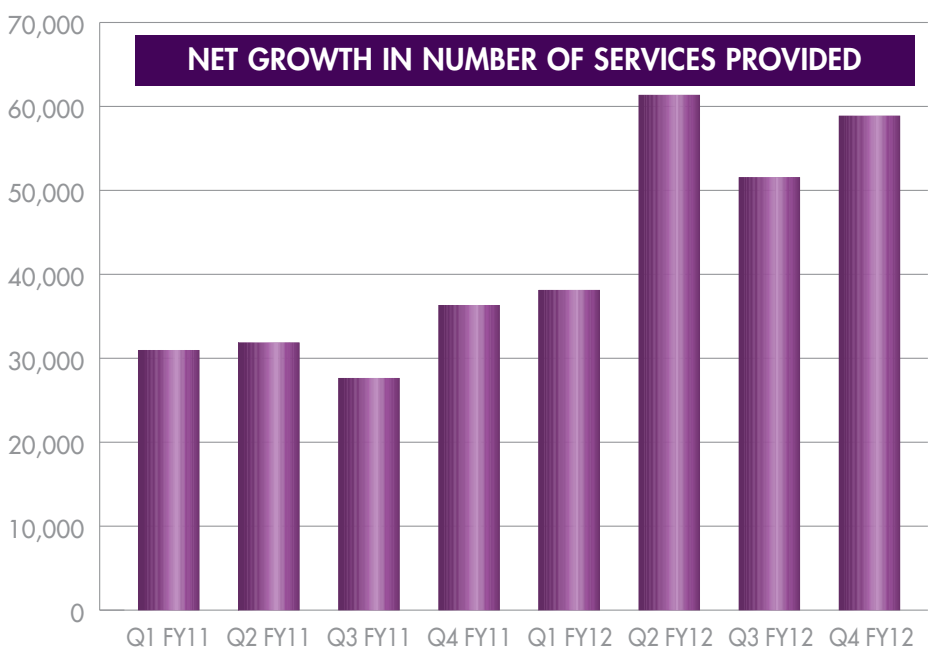
The increase in both the quantity and quality of new customers caused a rise of almost £4m in the net investment of our Customer Acquisition operating segment compared with the previous year. We anticipate a further modest increase this year, as we maintain our current strong focus on growth.

Distribution costs increased by £2.7m reflecting higher bonuses and incentive payments to distributors resulting from the faster organic growth we experienced during the year, combined with higher residual income payments in line with our increased turnover.

Earnings per share increased by over 12% to a record level of 33.8p (2011: 30.1p) and, in line with previous guidance and our strong cash generation, the Company is proposing to pay a final dividend of 17p (2011: 14p) per share, making a total dividend of 27p (2011: 22p) per share for the year.

CUSTOMER MANAGEMENT BUSINESS

The rate at which our customer management business is growing gathered pace over the course of the year, a continuation of the trend that started to develop during the preceding year:



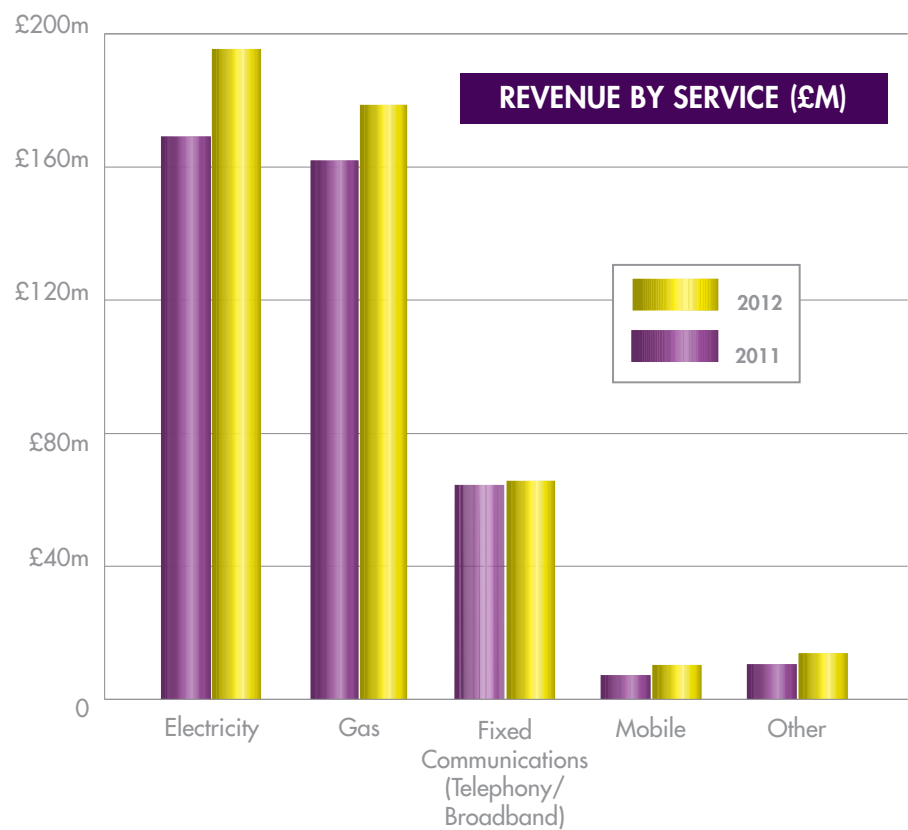
FINANCIAL REVIEW

CONTINUED

This trend reflects the successful transformation of distributor activity towards gathering multi-utility home-owners, rather than the energy-only tenants who had started to become the dominant element amongst new customers by the summer of 2009. All our core services are now seeing consistently strong monthly growth.

This progressive improvement in the quality of our customer base, with lower levels of delinquency and a steady increase in the average number of services being taken by each customer, has already resulted in a reduction in churn and can be expected to improve our bad debt experience in due course.

Revenues increased across all our services during the year, notwithstanding the impact of an exceptionally warm winter which reduced energy sales by approximately £30m compared with the level we would have expected to supply at seasonally normal temperatures.



CUSTOMER ACQUISITION

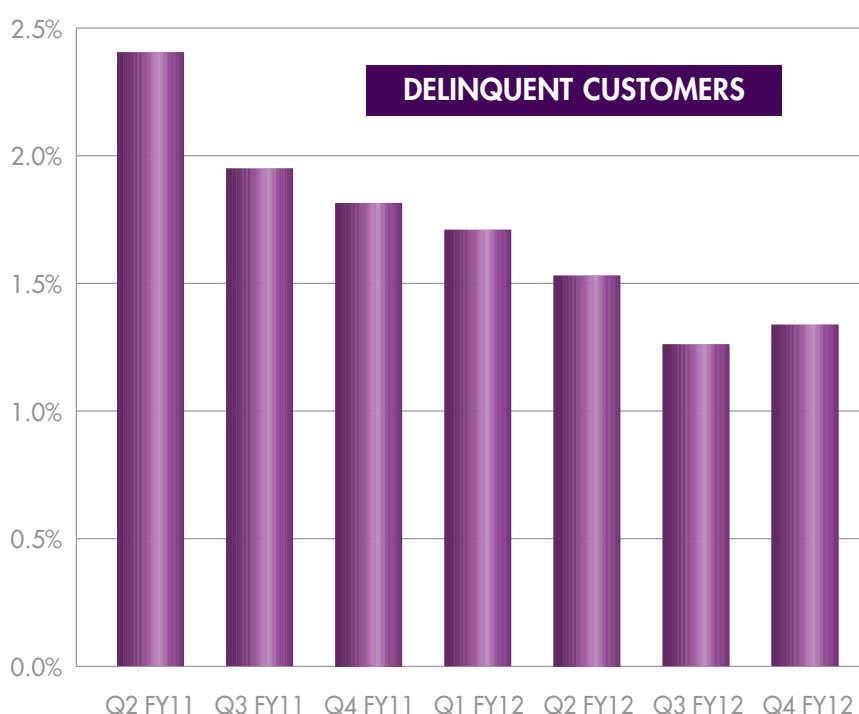
Our net investment in acquiring new customers increased during the year to £8.9m (2011: £5.1m), reflecting the significant improvement in both the quantity and quality of our new customers.

Although the initial cost of acquiring a customer who takes at least four of our core services is considerably higher than for a household taking fewer services, our experience shows that the lifetime value of such customers more than compensates for the higher upfront cost we incur.

DISTRIBUTION AND ADMINISTRATIVE EXPENSES

Distribution costs, which primarily represent the share of our revenues that we pay as commission to distributors, increased by £2.7m to £16.0m (2011: £13.3m); this reflects an increase in the amount of residual income we paid (broadly in line with the higher turnover we achieved), combined with higher bonus and incentive payments resulting from the significant increase in our organic growth compared with the previous year.

Bad debts of £9.3m (2011: £8.2m) remained broadly stable as a percentage of sales, mainly due to the long tail in resolving the historic problems which became apparent in 2009 when we started to attract a disproportionate number of 'energy only' tenants. In the context of the weak economic environment and our high organic growth, we believe this represents a satisfactory outcome for the year. Going forward, we anticipate that our bad debt will start to fall progressively as a percentage of future turnover, in line with the improving overall quality of our customer base.



Other administration costs also remained broadly stable, as we grew headcount aggressively in order to ensure we were appropriately resourced to manage the increasing number of customers joining us each month.

The average number of employees increased from 479 to 541, most of which took place in the second-half of the year; this increase in headcount of 12.9% is below the increase we saw during the year in the number of services we are providing, as we continue to enhance our systems to manage our growing customer base more effectively. Costs associated with strengthening our senior management team led to an increase of 16% in personnel expenses for the year to £17.4m (2011: £15.0m).

FINANCIAL REVIEW

CONTINUED

We have successfully sub-let about 40% of the office space we vacated when we consolidated our operations in Network HQ around 12 months ago; the remainder of this space is being retained as a disaster recovery site pending the expiry of the leases in around 24 months' time. We have also re-let the car showroom premises which occupy the ground floor of our multi-storey car park, but this is subject to a rent-free period that will last until the start of our next financial year.

SHARE OPTION COSTS

The operating profit is stated after share option expenses of £641,000 (2011: £436,000). These expenses relate to an accounting charge under IFRS 2 'Share based payments'.

TAXATION

A full analysis of the taxation charge for the year is set out in note 4 to the financial statements. The amount of corporation tax payable is £7.3m (2011: £6.8m).

The effective tax rate for the year was 23.7% (2011: 24.6%).

CASH FLOW AND BALANCE SHEET

There was a net cash inflow of £14.1m during the year, which was in line with management expectations. The main factor behind this was the impact of the new energy supply arrangements with npower, and this is reflected on our balance sheet by the large increase in accrued expenses and deferred income. The increase in non-current receivables of £2.6m mainly relates to our ongoing prepayment meter installation programme, and the consequent increase in prepayment meter debts which are not due to be recovered until after 12 months' time.

Our year end cash balance would have been significantly higher had the Board not made the decision to purchase Merit House in February. The costs of refurbishing this building will be met from a combination of cash flow and our agreed banking facilities.

The Group does not have a policy with respect to interest rate management, as it has no long-term debt funding requirements. Cash surpluses are placed on deposit with Barclays Bank PLC at money market rates to maximise returns, after allowing for the Company's working capital requirements.

Chris Houghton

Finance Director

22 May 2012

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements for the year to 31 March 2012.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Group is the supply of fixed telephony, mobile telephony, gas, electricity and internet services to residential and small business customers in the UK, who are primarily acquired through a network of independent distributors.

The Group intends to expand its subscriber base and continue to develop the systems which are required to provide its customers with a consistently high standard of service.

A full review of the development of the business is contained in the Chairman's Statement, Business Review and Financial Review. A summary of the financial risk management objectives and policies is contained in note 18 to the financial statements.

This Directors' Report, together with the Chairman's Statement, Business Review and Financial Review form the management report for the purposes of DTR 4.1.8R.

RESULTS AND DIVIDENDS

The profit for the year after tax of £23,453,000 (2011: £20,725,000) has been transferred to reserves. An interim dividend of 10p per share (2011: 8p) was paid during the year. A final dividend of 17p per share (2011: 14p per share) is proposed.

DIRECTORS

The names of directors who served during the year and their interests in the share capital of the Company at the start and end of the year are set out in the table below. Details of the directors' share incentive awards are disclosed in the Directors' Remuneration Report on page 37.

	Ordinary 5p shares held at	
	31 March 2012	31 March 2011
Charles Wigoder	15,981,041	16,104,041
Julian Schild*	97,624	30,000
Andrew Lindsay	81,465	81,465
Chris Houghton	-	-
Melvin Lawson*	2,050,000	2,050,000
Michael Pavia*	25,000	20,000

* indicates non-executive directors

In respect of the above shareholdings, Mr Wigoder has a non-beneficial interest in 2,700,000 shares (2011: 2,500,000). There have been no movements in any of the directors' interests in the share capital of the Company between 1 April 2012 and 22 May 2012.

The powers of Directors are set out in the Company's Articles of Association (the "Articles"). The Articles may be amended by way of a special resolution of the members of the Company. The Board may exercise all powers conferred on it by the Articles and in accordance with the Companies Act 2006, and other applicable legislation.

DIRECTORS' REPORT

CONTINUED

The Board has established a formal, rigorous and transparent process for the selection and subsequent appointment of new directors to the Board. The rules relating to the appointment and replacement of directors are contained within the Articles. The Articles provide that Directors may be appointed by an ordinary resolution of the members or by a resolution of the Directors, provided that, in the latter instance, a director appointed in that way retires at the first Annual General Meeting following their appointment. In addition, Mr Wigoder, as he holds in excess of 20% of the Company's shares, is entitled under the Articles to appoint a director and remove any such director appointed.

In accordance with current best practice, all the Board directors will be retiring at the forthcoming AGM and offering themselves for re-election.

DIRECTORS' CONFLICTS OF INTEREST

The Directors have a statutory duty to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The Companies Act 2006 and the Company's Articles allow the Board to authorise such conflicts of interest.

The Board has put in place effective procedures for managing and, where appropriate, approving conflicts or potential conflicts of interest. Under these procedures, the Directors are required to declare all directorships or other appointments to companies which are not part of the Group, as well as other situations which could give rise to a potential conflict. The Board will, where appropriate, authorise a conflict or potential conflict, and will impose all necessary restrictions and/or conditions where it sees fit. The Company maintains a register of directors' conflicts of interest which is reviewed regularly by the Board.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company maintains appropriate insurance to cover directors' and officers' liability and has provided an indemnity, as permitted by the Companies Act, in respect of all of the Company's directors which was in force throughout the financial year and remains in force. Neither the insurance nor the indemnity provides cover where a director has acted fraudulently or dishonestly.

CREDITORS' PAYMENT POLICY

The Group does not specifically follow any formal code or standard on payment practice, however it is the policy of the Group to pay all suppliers according to the terms mutually agreed with each supplier. At the year end trade creditors were on average 50 days old (2011: 36 days).

DONATIONS

The Group made charitable donations of £27,479 during the year (2011: £5,829). No political donations were made during the year.

EMPLOYEES

The requirements of the Companies Act in respect of employees are set out in the Business Review on pages 16 and 17.

SUBSTANTIAL SHAREHOLDERS

As at 22 May 2012, in addition to the directors, the following have notified the Company of their substantial shareholdings as detailed below:

	Number of Shares	Percentage of issued Share Capital
Standard Life Investments Ltd	6,920,243	9.8%
Schroders plc	6,465,676	9.2%
Sheldon Management Ltd	2,209,028	3.1%
Herald Investment Trust plc	2,150,000	3.1%

CAPITAL STRUCTURE

Restrictions on the transfer of shares

The Company only has ordinary shares in issue. Other than as set out below, there are no restrictions on the transfer of the ordinary shares, except where a holder refuses to comply with a statutory notice requesting details of those who have an interest and the extent of their interest in a particular holding of shares. In such cases, where the identified shares make up 0.25% or more of the ordinary shares in issue, the directors may refuse to register a transfer of any of the identified shares in certificated form and, so far as permitted by the Uncertificated Securities Regulations 2001, a transfer of any of the identified shares which are held in CREST, unless the directors are satisfied that they have been sold outright to an independent third party.

Other than as set out below and so far as the directors are aware, there were no arrangements at 31 March 2012 by which, with the Company's co-operation, financial rights carried by securities are held by a person other than a holder of securities, or any arrangements between holders of securities that are known to the Company and which may result in restrictions on the transfer of securities or on voting rights.

Certain members of senior management have loans secured against some or all of their shareholdings in the Company which restrict their ability to transfer these shares prior to repayment of the loans.

The Company established a new Joint Share Ownership Plan ("the JSOP") on 30 March 2011. As part of the JSOP an employee benefit trust was established to jointly hold shares with the participants in the plan ("the JSOP Share Trust"). As at 31 March 2012 the JSOP Share Trust jointly held 500,000 shares with Mr Andrew Lindsay. Prior to vesting, all voting and dividend rights attached to these shares have been waived.

Takeovers

There are no significant arrangements to which the Company is party that take effect, alter or terminate upon a change of control of the Company following a takeover bid, save in relation to the arrangements with npower and T-mobile for the supply of energy and mobile telephony respectively, or any agreements between the Company and its directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

Authority for purchase of own shares

At the last AGM held on 13 July 2011, the Company obtained authority to purchase up to 6,960,606 ordinary shares representing approximately 10% of the issued ordinary share capital (excluding treasury shares) as at 8 June 2011. The Company intends to renew this authority at this year's AGM.

During the financial year, the Company acquired 25,000 ordinary shares at 555 pence each on 8 August 2011 and 50,000 ordinary shares at 550 pence each and 5,000 ordinary shares at 535 pence each on 9 August 2011. The ordinary shares acquired by the Company were immediately transferred into treasury.

DIRECTORS' REPORT

CONTINUED

Treasury shares

The Company disposed of 80,000 treasury shares during the year to satisfy the exercise of share options by employees and distributors, representing 0.1% of issued share capital and a total nominal value of £4,000. The Company received total proceeds of £222,000 for the disposal of these treasury shares.

Issue of shares to npower Limited

In accordance with the revised energy supply arrangements entered into with npower on 24 May 2011, and following shareholder approval duly granted at the AGM on 13 July 2011, the Company issued two tranches of shares at nominal value to npower Limited during the year. The Company issued 231,562 shares on 19 August 2011 and 195,427 shares on 9 January 2012.

DISCLOSURE OF INFORMATION

Each of the directors has confirmed that so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware, and that he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 11 to 20. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 21 to 24 and note 18 to the financial statements. In addition, notes 14 and 18 include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

From 1 September 2011, under the revised arrangements agreed with npower on 24 May 2011, the Company was no longer required to procure a letter of credit facility for npower as security against the cost of the energy it was supplying. Also from this date, npower assumed responsibility for funding the seasonal variations in working capital associated with providing gas and/or electricity to those customers who choose to pay for their energy using a budget plan. The Group's credit requirements are therefore more constant over the annual operating cycle and accordingly the Group has secured from Barclays Bank PLC total credit facilities of £20 million for the period 1 July 2012 to 30 June 2013 to meet both expected working capital and capital expenditure requirements.

The Company has considerable financial resources together with a large and diverse retail and small business customer base and long term contracts with a number of key suppliers. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the uncertain economic outlook.

On this basis the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The annual financial statements have therefore been prepared on a going concern basis in accordance with the FRC's Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009 issued in October 2009.

By Order of the Board

David Baxter

Company Secretary

22 May 2012

CORPORATE GOVERNANCE STATEMENT

The Board is pleased to report that during the year and as at the date of this Annual Report the Company has complied with the main principles and the provisions of the UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council in June 2010. This report, together with the Director's Report on pages 25 to 28, and the Directors' Remuneration Report on pages 34 to 39, provides details of how the Company has applied the principles and complied with the provisions of the Code. This report also sets out certain specific procedures identified by the Company's board evaluation exercise which, whilst being compliant with the Code, will in future be improved. A copy of the Code is available at www.frc.org.uk.

THE BOARD OF DIRECTORS

The Board meets regularly to review the progress of the Company and to discuss the measures required for its future development. Directors are provided in advance with a formal schedule of matters to be discussed at each meeting, and with the information needed to monitor the progress of the Company. Records of meetings and the decisions of the Board are maintained by the Company Secretary and are approved by the Board at the following meeting. All directors have access to the advice and services of the Company Secretary and, if required, are able to take independent advice at the Company's expense in the furtherance of their duties. Any question of the removal of the Company Secretary is a matter for the Board as a whole. While the members of the Board are all experienced and well qualified, the opportunity to receive further training at the Company's expense is available to them at all times.

BOARD DUTIES

The matters specifically reserved for decision by the Board are fully documented and include the following principal areas:

- Reviewing and agreeing the Company's strategy and long term objectives.
- Assessing performance in the light of the Company's strategy and objectives.
- Ensuring an effective system of risk management and internal controls is in place.
- Approving changes to the structure, size and composition of the Board and reviewing its performance on an annual basis.
- Reviewing the Company's overall corporate governance arrangements.
- Approval of the Company's financial statements prior to publication.

Matters that are specifically delegated to the committees of the Board are documented in the various Terms of Reference of each committee which are available on the Company's website (www.utilitywarehouse.co.uk).

TABLE OF ATTENDANCE AT FORMAL MEETINGS DURING THE YEAR ENDED 31 MARCH 2012

Name of Director	Board	Remuneration Committee	Audit Committee	Nomination Committee
<i>Number of meetings</i>	10	2	3	-
Charles Wigoder	10	-	-	-
Julian Schild	10	2	3	-
Andrew Lindsay	10	-	-	-
Chris Houghton	10	-	-	-
Melvin Lawson	10	2	3	-
Michael Pavia	9	2	3	-

BOARD EVALUATION

The directors recognise that the Code requires an external evaluation of the Boards of FTSE 350 companies to be carried out at least every three years. The directors concluded that for the current year, and while the market for external evaluations remains in its infancy with relatively few experienced practitioners, an internal evaluation of the Board remained appropriate. However, the Board will continue to monitor the development of market practice in this area and reassess its position in this regard during the coming year.

CORPORATE GOVERNANCE STATEMENT

CONTINUED

The internal evaluation of the Board for the current year was conducted through the completion of formal detailed board, and board committee, evaluation questionnaires by each director. In addition, and in order to achieve a greater level of rigour in its assessment of performance, a review involving each director was carried out. This review was conducted by the Deputy Chairman and Company Secretary and principally covered the following areas: specific matters of concern arising from the board evaluation questionnaires, individual directors' performances and key objectives for the coming year, and the identification of any specific training and development requirements.

The evaluation questionnaires were focussed on assessing effectiveness in the following key areas:

- the size and balance of the Board;
- the quality of Board debates and its decision making processes;
- the individual contributions made by each director;
- the Chairman's approach to leadership;
- the non-executive directors' challenge of the executive directors;
- the Board's approach to identifying and mitigating key business risks;
- the quality of the Company's communications with key stakeholders; and
- the induction and training of Board members.

In accordance with provision B.6.3 of the Code and building on the results of the evaluation questionnaires, the Deputy Chairman led a separate evaluation of the performance of the Chairman. This evaluation principally comprised a review of the Chairman's leadership style and tone in promoting effective decision-making and ensuring constructive and sufficient debate took place around key issues. The results of this evaluation were entirely satisfactory.

In general the evaluation concluded that the Board and its Committees had operated well during the year and that all the directors had effectively contributed to the Board as appropriate to their experience and varying roles and responsibilities.

However, it was identified that improvements could be made in certain areas covered by the evaluation. It emerged that the induction of directors on appointment and the ongoing review of the training requirements for each director could be improved. It has therefore been agreed that the Deputy Chairman, assisted where appropriate by the Company Secretary, will more regularly review the training and development requirements of each director. It has also been proposed that a more formal induction programme be put in place ahead of any future Board appointments.

The evaluation also identified that improvements could be made to the Board's communication with the Company's key stakeholders on certain matters. In particular, it has been agreed that communication with the Company's key shareholders be extended beyond the normal interaction with the executive directors. This enhanced level of communication is likely to focus principally on governance related issues and will be mainly led by the Deputy Chairman.

The Board will also aim to make better use of the Company's AGM to facilitate engagement from a wider spectrum of the Company's shareholders. Processes for covering routine AGM matters will be streamlined in order to provide the maximum opportunity for shareholders to engage with the Board on any matters of particular interest.

BOARD BALANCE AND DIVERSITY

The Board has remained unchanged during the year and consists of three executive directors and three independent non-executive directors. Julian Schild acts as the Company's Deputy Chairman and Senior Non-Executive Director.

Membership of each committee of the Board is set out in the table below:

Name of Director	Remuneration Committee	Audit Committee	Nomination Committee
Charles Wigoder	-	-	✓
Julian Schild*	Chairman	✓	✓
Andrew Lindsay	-	-	-
Chris Houghton	-	-	-
Melvin Lawson*	✓	✓	-
Michael Pavia*	✓	Chairman	Chairman

* indicates independent non-executive directors

The Board, in conjunction with the Nomination Committee, regularly reviews whether the composition of the Board and the diversity of its members remain appropriate in the light of the commercial challenges and risks facing the Company.

The members of the Nomination Committee believe that the composition of the Board is currently appropriate for the size of the Company and the nature of its operations. However, the Committee appreciates that should the Company's situation change significantly in future, then the appointment of new directors to the Board may be required.

The main objective of the Nomination Committee when considering the appointment of new directors to the Board will remain to ensure that successful candidates are of the highest calibre and offer the optimum set of skills, experience and background. The Committee's Terms of Reference further stipulate that candidates from a wide range of backgrounds shall be considered and that due regard will be given to the benefits of diversity on the Board.

It remains the Committee's position that it would not be appropriate to stipulate the characteristics of any future directors ahead of a full assessment of the particular requirements of the role at the time. However, the Committee will ensure that it continues to adhere to the principles set out above in identifying and recruiting the most appropriate candidates to the Board in a non-discriminatory manner.

Further detail regarding the Company's position in relation to encouraging diversity within all layers of the organisation is set out in the "Employees" section of the Business Review on pages 16 and 17.

EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

There is a clear division of responsibilities at the head of the Company with the Executive Chairman responsible for developing the strategic direction of the business and ensuring the effective operation of the Board, including compliance with principles of good corporate governance, and the Chief Executive primarily responsible for implementing strategy and running the Group's operations on a day to day basis. As appropriate, and in order to ensure good corporate governance, the Executive Chairman is assisted by the Company's independent non-executive Deputy Chairman in ensuring the effective operation of the Board.

The division of responsibilities between the Executive Chairman and Chief Executive has been set out in writing and agreed by the Board in accordance with the Code (provision A.2.1).

CORPORATE GOVERNANCE STATEMENT

CONTINUED

SUPPLY OF INFORMATION

Information is supplied to the Board in a timely manner with board papers and accounts being provided in advance of meetings. When the Board requests additional information it is provided.

RE-ELECTION

The Company's Articles stipulate that one third of all directors are required to retire by rotation at each Annual General Meeting and all newly appointed directors are required to offer themselves for election by the shareholders at the next Annual General Meeting.

However, the Code requires that all directors of FTSE 350 companies be subject to annual re-election by shareholders. Therefore all the directors will be submitted for re-election at the forthcoming Annual General Meeting in July.

REMUNERATION COMMITTEE

The Board has a Remuneration Committee whose responsibility is to ensure that the remuneration of executive directors is sufficient to attract, retain and motivate people of the highest calibre. The Remuneration Committee comprises three independent non-executive directors, namely Julian Schild (Chairman of the Committee), Melvin Lawson and Michael Pavia. The Directors' Remuneration Report, giving the details of the emoluments of each director, may be found on pages 34 to 39.

The Remuneration Committee has written terms of reference, available on the Company's website (www.utilitywarehouse.co.uk), which describe the authority and duties which have been delegated to it by the Board.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, Michael Pavia (Chairman of the Committee), Melvin Lawson and Julian Schild in compliance with the Code (provision C.3.1). The activities of the Audit Committee are set out on pages 41 and 42.

The Audit Committee has written terms of reference, available on the Company's website (www.utilitywarehouse.co.uk), which describe the authority and duties which have been delegated to it by the Board.

NOMINATION COMMITTEE

The Nomination Committee comprises Michael Pavia (Chairman of Committee), Julian Schild and Charles Wigoder and therefore has a majority of independent non-executive directors in compliance with the Code (provision B.2.1). The main purpose of the Nomination Committee is to make recommendations to the Board on the appointment of new directors.

The Nomination Committee has written terms of reference, available on the Company's website (www.utilitywarehouse.co.uk), which describe the authority and duties which have been delegated to it by the Board.

The activities of the Nomination Committee are set out on page 40.

RELATIONS WITH SHAREHOLDERS

It is the policy of the Company to maintain a dialogue with institutional shareholders and to keep them informed about the objectives of the business. The Board considers that it is appropriate for the executive directors to discuss any relevant matters regarding company performance with major shareholders and that this is undertaken primarily by the Chief Executive and Finance Director. The Chief Executive provides feedback from major shareholders to the other directors, in order to ensure that Board members, and in particular non-executive directors, develop a balanced understanding of the views of major investors. The executive directors met with a number of the Company's main shareholders during the year.

The Executive Chairman, Chief Executive and Finance Director also have periodic discussions with the Company's brokers and issues are fed back to the Board as appropriate.

Responsibility for communication with key shareholders in relation to corporate governance and Board remuneration matters lies primarily with the Deputy Chairman who is assisted in this regard by the Company Secretary.

ANNUAL GENERAL MEETING

Notice of the Annual General Meeting and related papers are sent to all shareholders at least 20 working days before the meeting. Separate resolutions are proposed for each matter including the adoption of the Report and Accounts, the Directors' Remuneration Report and the appointment of the Group's auditor. Proxy votes are counted and the meeting is advised of the number of proxies lodged for and against each resolution. The Chairmen of the Audit, Remuneration and Nomination committees and the remaining non-executive directors are available to answer questions. Shareholders who attend are invited to ask questions and take part in the meeting.

INTERNAL CONTROL

The Board acknowledges its responsibility for the Group's systems of internal control and risk management. However it recognises that any system can only provide reasonable, and not absolute, assurance against material misstatement or loss.

In conjunction with the Company's senior management team, the executive directors regularly identify, review and evaluate the key risks faced by the Group and the effectiveness of the internal controls in place to mitigate these risks. The results of these reviews are recorded in a formal document which sets out a detailed evaluation of each risk and the associated internal control in place to mitigate that risk. The document is reported to the Audit Committee and the Company's external auditor for review at least once per year.

The Board of directors has continued to review the internal controls of the Group (including financial, operational and compliance controls and risk management) and the principal risks which the Group faces during the year. No material weaknesses in internal controls were identified during the year. The principal risks faced by the Company and the measures taken to address these risks are set out in the Business Review on pages 18 to 20.

SHARE CAPITAL AND VOTING RIGHTS

Details of the Company's share capital and substantial shareholdings can be found in the Directors' Report under the Capital structure and Substantial shareholders sections on pages 27 and 28.

DIRECTORS' REMUNERATION REPORT

This report, which has been prepared in accordance with the provisions of the UK Corporate Governance Code ("the Code"), has been approved by the Board of directors for submission to shareholders for approval at the forthcoming Annual General Meeting. The sections under the headings "Directors' Remuneration", "Share Incentive Schemes" and "Pension Schemes" have been subject to external audit.

REMUNERATION COMMITTEE

The Remuneration Committee ("the Committee") is responsible for reviewing and making recommendations to the Board regarding the broad policy relating to the total remuneration paid to the executive directors and members of senior management of the Company; it meets regularly to review and set all elements of the remuneration paid to the executive directors of the Company, including pension rights, and monitors the level and structure of remuneration for other senior management of the Company. It also exercises all the powers of the Board in relation to the operation of the Company's share incentive schemes, including the grant of options and the terms of those grants.

The Committee met formally twice during the year and details of attendance at this meeting are provided in the Corporate Governance Statement on page 29.

REMUNERATION POLICY

The overall remuneration policy remains, as previously, to ensure that the executive directors of the Company and other senior managers in the Company are fairly and responsibly rewarded for their individual contribution to the overall performance of the Company, in a manner that ensures that the Company is able to attract, motivate, and retain executives of the quality necessary to ensure the successful management of the Company.

The Company's remuneration policy is based on the principle that the fortunes of the directors and senior management should be directly aligned with those of external shareholders, and this is achieved (in the case of the Executive Chairman) as a result of his significant shareholding in the Company and (in the case of the Chief Executive Officer, Finance Director and all other members of the senior management team) through the use of share incentive plans. Changes in the remuneration of the executive directors are decided by the Committee having taken into account all relevant information available at the time.

The Business Review contained on pages 11 to 20 explains how the Company is reliant on the combined efforts of all its employees to manage relationships with both customers and distributors and to deliver a consistently high quality of service, and that it is key to the overall success of the Company and to its future long term profitability that the Company is able to attract and retain a motivated, talented and diverse workforce.

All employees are accordingly given the opportunity to benefit from share options after a qualifying period of employment, and those in customer facing roles are eligible to receive a regular bonus based on the quality of the service they provide.

The Committee takes into account pay levels across the organisation when setting the remuneration payable to all directors (both executives and non-executives).

COMPONENTS OF REMUNERATION

Each of the three executive directors of the Company, Mr Wigoder as Executive Chairman, Mr Lindsay as Chief Executive Officer and Mr Houghton as Finance Director, receives a base salary, but no bonus.

Whilst many executive directors in similarly sized companies earn significant cash bonuses in addition to their base salaries, the Committee continues to believe that the most effective method by which to incorporate performance-related remuneration for the executive directors is through the granting of awards under share ownership incentive

plans rather than through the payment of cash-based bonuses. This method has the benefit of directly aligning the interests of executive directors with all the Company's shareholders in a clear and transparent manner.

Each of Mr Wigoder's, Mr Lindsay's and Mr Houghton's service contracts provides for pension contributions equal to 10% of basic salary to be paid by the Company into defined contribution pension schemes. Mr Lindsay and Mr Houghton were also provided with private health insurance during the year.

The Committee recommended increases to the annual base salaries of each of the executive directors. Messrs Wigoder and Lindsay received an increase of 6.5% to £330,000 while Mr Houghton received a slightly larger percentage increase of approximately 14% to £200,000 in recognition of the experience he has gained as Finance Director of a FTSE 250 company. The Committee believes that these salary increases are fully justified by reference to their individual performances, their total remuneration packages (including participation in the Company's share incentive plans) and current market rates.

The non-executive directors receive fees for their services, the details of which are described below. The level of these fees was unchanged during the year. The policy with regard to fee structure is to reflect time commitment and responsibility of the various roles.

DIRECTORS' REMUNERATION (AUDITED)

Audited details of directors' remuneration for the year are as follows:

Name of Director	Salary Fees & Benefits £'000	Pension Contributions £'000	2012 Total £'000	2011 Total £'000
Charles Wigoder	334	33	367	314
Julian Schild	35	-	35	29
Andrew Lindsay	333	33	366	310
Chris Houghton	202	20	222	188
Melvin Lawson	12	-	12	12
Michael Pavia	20	-	20	20
Peter Nutting ¹	-	-	-	5
Richard Michell ¹	-	-	-	4
Keith Stella ¹	-	-	-	14
Richard Hateley	-	-	-	205
	936	86	1,022	1,101

¹ retired from the Board on 14 July 2010

SHARE INCENTIVE SCHEMES (AUDITED)

The Company has two share option plans and a Joint Share Ownership Plan (the "JSOP"). The first share option plan and the JSOP are available to employees, and the second share option plan is available to the Company's independent distributors.

The Employee Share Option Plan

Subject to serving the requisite probationary period, all employees are eligible to participate in the Company's employee share option plan and be issued with options over shares in the Company, the number of shares being related to their seniority and length of service.

DIRECTORS' REMUNERATION REPORT

CONTINUED

It is the policy of the Committee, mindful of the requirements of the Code, to ensure that save in exceptional circumstances performance conditions are imposed on any awards made under share incentive plans to either executive directors of the Company or to those senior executives who are not Board members but whose status and role can reasonably be regarded as giving them a significant influence over the Company's ability to meet its strategic objectives. When imposed, the performance conditions are determined having regard to the Company's circumstances and its prospects, and prevailing market practice and trends.

It continues to be the view of the Committee and of the Board that it would not be in the interests of the Company to seek to impose performance conditions on awards made to other, more junior, employees whose individual performance is unlikely to have a direct impact on the long term success or strategic direction of the Company. However, the Committee recognises that the collective contribution of all employees is critical to the success of the Company and continues to believe that the granting of share options at all levels within the organisation generates employee loyalty and helps to ensure that staff turnover is kept to a minimum and below the levels seen across the industry for employees passing their probationary periods.

The Joint Share Ownership Plan

Awards made through the JSOP provide participants with a joint interest in tranches of shares which are held until vesting by an independent employee benefit trust (the "JSOP Share Trust"). The trustee of the JSOP Share Trust is Barclays Wealth Trustees (Guernsey) Limited. The value to participants of awards made under the JSOP is based upon the growth in the value of the Company's shares from the date of grant in a similar manner to the value achieved through participation in the conventional share option scheme. However, participants in the JSOP only receive value to the extent that the share price increase exceeds a compound annual growth rate of at least five per cent (the "Hurdle Rate"). On vesting, participants receive any gain over the Hurdle Rate on the tranche of shares in which they hold a joint interest, with all the gain below the Hurdle Rate being retained by the JSOP Share Trust. In addition, awards made under the JSOP to executive directors will only vest to the extent applicable performance conditions relating to the financial and trading performance of the Company are met.

The Networkers and Consultants Share Option Plan

The Networkers and Consultants Share Option Plan exists to provide incentives and rewards to those distributors who have been most successful in gathering new customers for the Company. These distributors, whilst not being employees of the Company, are nevertheless essential to its future growth, and it is the opinion of the Committee that this plan can in some cases be an important factor in their motivation.

During the year a new share option promotion was launched to distributors which will involve the issue of share options with performance conditions attached. These performance conditions will involve distributors consistently gathering customers each month during the three-year vesting period of the options.

Details of awards granted to directors

Details of the share awards held or granted to directors during the year are set out in the table below (further details on the estimated cost of these awards are set out in note 17 to the financial statements):

	1 April 2011	Granted	Exercised	31 March 2012	Exercise price per share	Exercisable from	Expiry date
Andrew Lindsay							
<i>Share options</i>							
12 Jun 2008	217,400	-	-	217,400	330.5p	12 Jun 11	11 Jun 18
<i>JSOP interest</i>							
31 March 2011 ¹	500,000	-	-	500,000	n/a	1 Apr 15	n/a
Chris Houghton							
10 Dec 2008	50,000	-	-	50,000	340p	10 Dec 11	9 Dec 18
26 June 2009	50,000	-	-	50,000	278p	26 Jun 12	25 Jun 19

¹ Shares held jointly with the JSOP Share Trust

The share options held by Andrew Lindsay during the year were granted on 12 June 2008 pursuant to contractual promises made when he originally joined the Company, prior to his appointment to the Board, and on terms that performance conditions would not be imposed in respect of these grants. Accordingly, these options do not have performance conditions attaching to them. However, the award of a joint interest in 500,000 shares made to him on 31 March 2011 under the JSOP ("the JSOP Share Award") was made subject to performance conditions which were described in detail in last year's annual report.

The JSOP interest allows Mr Lindsay, subject to the achievement of the performance conditions outlined below, to receive any increase in the value of the 500,000 shares over the share price on the date of grant (£4.55), plus an annual compound growth rate of five per cent. This means that if Mr Lindsay were to exercise his award on the first date of vesting, 1 April 2015, he would receive any value over £5.53 per share.

The table below summarises the compound annual growth rates required during the vesting period across the three performance conditions which will determine the percentage of the 500,000 shares that will be used to calculate the total gain attributable to Mr Lindsay, eg. if the Company were to achieve compound annual EPS and TSR growth of exactly 5% over the vesting period the gain attributable to Mr Lindsay would be calculated based on the total value of 250,000 shares over the annual compound 5% Hurdle Rate. The number of shares used to calculate the gain which Mr Lindsay will be entitled to receive on vesting will depend on the average growth achieved across the two highest performance conditions.

Percentage of 500,000 shares	EPS growth	TSR growth ¹	Service number growth
100%	7.5%	7.5%	7.5%
50%	5.0%	5.0%	5.0%
50%-100% ²	5.0%-7.5%	5.0%-7.5%	5.0%-7.5%
Nil	<5%	<5%	<5%

¹ compound annual share price growth assuming 22p annual dividend

² percentage of shares to be calculated on a straight line basis

DIRECTORS' REMUNERATION REPORT

CONTINUED

The 50,000 options granted to Mr Houghton on 10 December 2008 were granted to him prior to his appointment to the Board on terms that performance conditions would not be imposed in respect of this grant. However, the 50,000 options granted to him on 26 June 2009 after his appointment to the Board were made subject to performance conditions which were described in detail in the annual report for the year ended 31 March 2010. The extent to which these options will vest will depend on the average growth achieved across the two highest annual growth performance measures summarised in the table below.

Percentage of options vesting	EPS growth	TSR growth ¹	Customer base growth
100%	10.0%	10.0%	15%
50%	5.0%	5.0%	7.5%
50%-100% ²	5.0%-10.0%	5.0%-10.0%	7.5%-15.0%
Nil	<5.0%	<5.0%	<7.5%

¹ compound annual share price growth assuming 22p annual dividend

² percentage of shares to be calculated on a straight line basis

At the year end the Company's share price was 691p and the range during the financial year was 455p to 802p.

DIRECTORS' CONTRACTS OF SERVICE

There are Service Contracts or Letters of Appointment for Charles Wigoder (5 May 2011), Andrew Lindsay (5 May 2011), Chris Houghton (16 February 2009), Julian Schild (25 May 2010), Melvin Lawson (27 September 2006), and Michael Pavia (13 December 2006). These provide notice periods of three months on either side for the non-executive directors and the following notice periods for the executive directors: Mr Wigoder twelve months on either side and Mr Lindsay and Mr Houghton each with six months on either side. No contract provides for compensation for loss of office.

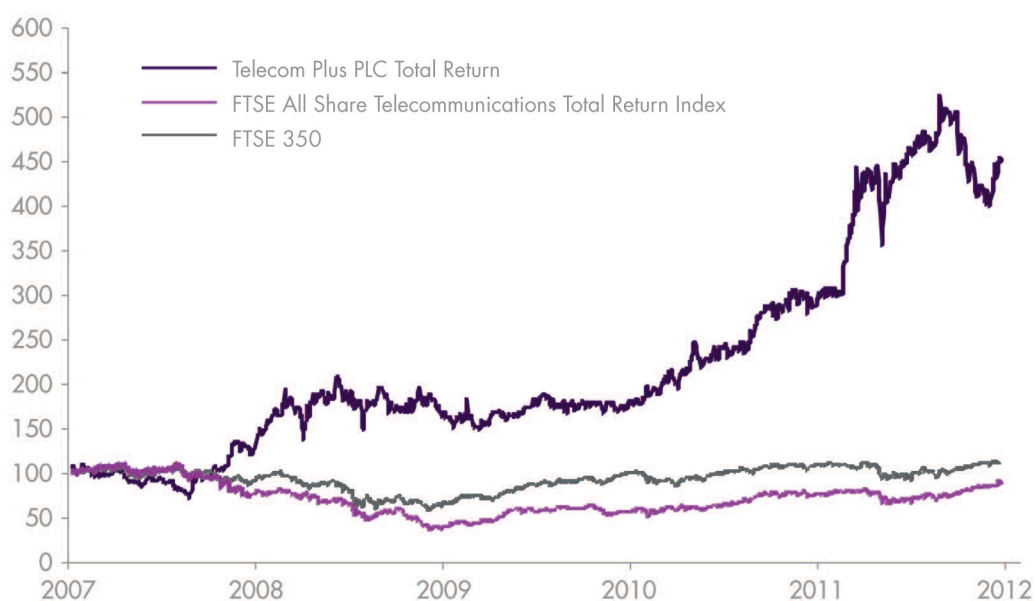
PENSION SCHEMES (AUDITED)

The Company makes no contributions to the pensions of any current directors except to Mr Wigoder, Mr Lindsay and Mr Houghton, details of which are shown above.

PERFORMANCE GRAPH SHOWING TOTAL SHAREHOLDER RETURN

The following graphs show the Company's performance measured by total shareholder return compared with the performance of the FTSE All Share Fixed Line Telecommunications Index and the FTSE 350 for the period 1 April 2007 to 30 March 2012. As noted in previous years, the FTSE All Share Fixed Line Telecommunications Index was initially selected at a time when a larger proportion of the Company's revenues related to the supply of telephony services; only approximately 20% of the Company's revenues are now generated from such telephony services.

Last year the Committee introduced the FTSE 350 Index as a further comparator in the light of the fact that there are no sector specific indices containing directly comparable quoted companies supplying a broad range of services similar to that provided by the Company.



Source: Thomson Datastream

Julian Schild

Chairman of the Remuneration Committee

On behalf of the Board

22 May 2012

NOMINATION COMMITTEE REPORT

The Nomination Committee comprises Michael Pavia (Chairman of the Committee), Julian Schild and Charles Wigoder and therefore has a majority of independent non-executive directors in compliance with the UK Corporate Governance Code (provision B.2.1).

The key responsibilities of the Nomination Committee include:

- making recommendations to the Board on the appointment of new non-executive and executive directors, including making recommendations as to the composition of the Board generally and the balance between executive and non-executive directors;
- giving consideration to succession planning for directors and other senior executives;
- reviewing on an annual basis the time required from non-executive directors and assessing whether the non-executive directors are spending enough time to fulfil their duties;
- reviewing the re-election by shareholders of directors under the annual re-election provisions of the Code; and
- evaluating any matters relating to the continuation in office of any director including the suspension or termination of service of an executive director.

Although no new directors were appointed to the Board during the year, other Committee matters were periodically discussed as part of full Board meetings. These discussions principally concerned the appropriateness of the composition of the Board in the light of the Company's existing operations and medium-term strategic objectives. No changes to the Board were deemed necessary during the year.

Michael Pavia

Chairman of the Nomination Committee

On behalf of the Board

22 May 2012

AUDIT COMMITTEE REPORT

The Audit Committee comprises three independent non-executive directors, Michael Pavia (Chairman of the Committee), Julian Schild and Melvin Lawson in accordance with the UK Corporate Governance Code (the "Code") (provision C.3.1). Michael Pavia is also identified as having recent and relevant financial experience.

Attendance at Audit Committee meetings during the current year by Audit Committee members is set out in the Corporate Governance Report on page 29 of this document. In accordance with best practice, the Audit Committee has the opportunity, as required, to meet with the external auditor of the Company without the presence of any executive directors and has done so during the current year.

The key responsibilities of the Audit Committee include:

- reviewing the appointment, re-appointment and removal of the external auditor and the direction of the external auditor to investigate any matters of particular concern;
- assessing the effectiveness of the Company's external auditor, including considering the scope and results of the annual audit;
- reviewing the independence and objectivity of the external auditor and assessing any potential impact on objectivity resulting from the provision of non-audit services by the external auditor;
- monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's performance; and
- reviewing the Company's internal financial controls and other internal control and risk management processes.

The senior management team and executive directors periodically review the effectiveness of key internal control and risk management processes within the Company and report any changes in such activities to the Audit Committee and the external auditor for consideration at least once per year. The review covers all material controls, including financial, operational and compliance controls. As part of its review during the current year, the Committee has focused on the risks associated with the Company's information technology systems and in this regard has obtained more detail from the IT department on the system safeguards and security in place.

During the year the Audit Committee reviewed and approved the Company's half year and annual financial statements, including an evaluation of the key accounting estimates contained therein. Also, in conjunction with the Company's external auditor, the Audit Committee has considered, among other matters, compliance with the provisions of the Code and accounting developments, the Company's financial control environment and its risk management and control processes. As part of this process the Audit Committee has also considered the need for any special projects or internal investigations and concluded that no such projects or investigations have been required.

In accordance with the Code (provision C.3.5), the Audit Committee has also considered the need for an internal audit function at the Company and has concluded that, in the light of its review of the internal controls in place and the report of the external auditor, no such function is currently required.

The external auditor presents a detailed audit report to the Audit Committee following their review of the annual financial statements. Having regard to the work performed by the external auditor during the year, the Audit Committee considers that the relationship is working well and remains satisfied with the effectiveness of the external auditor. Accordingly the Audit Committee has recommended to the Board, for approval by the shareholders, the reappointment of PKF (UK) LLP as the Company's auditor.

The external auditor has provided certain tax and other services to the Group during the year. The Audit Committee has reviewed the services provided and in the light of the nature of the work performed and the level of fees paid (as set out in note 2 of the financial statements on page 57 of this document) considers that the external auditor's objectivity and independence have not been compromised and that the external auditor was best placed to provide these services.

AUDIT COMMITTEE REPORT

CONTINUED

In order to guard against the objectivity and independence of the external auditor being compromised, the provision of any significant additional services aside from audit and tax remains subject to the approval of the Audit Committee. The Committee would be likely to prohibit the provision of the following types of non-audit related work by the Company's external auditor:

- book-keeping and work relating to the preparation of accounting records and financial statements that will ultimately be subject to external audit;
- financial information system design and implementation;
- appraisal or valuation services in respect of material assets;
- internal auditing;
- investment advice or corporate broking; and
- any other work where mutual interests exist that could compromise the independence of the external auditor.

The Chairman of the Audit Committee, Michael Pavia, is the primary point of contact for staff of the Company to raise, in confidence, concerns they may have over possible improprieties, financial or otherwise. All employees have been notified of this arrangement on the Company's intranet site which sets out Michael Pavia's contact details (Code provision C.3.4). No such matters were raised by employees during the current year.

Michael Pavia

Chairman of the Audit Committee

On behalf of the Board

22 May 2012

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have elected to prepare the parent company financial statements in accordance with those standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

The directors confirm, to the best of their knowledge:

- that the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- that the management report set out in the Chairman's Statement, Business Review and Financial Review on pages 7 to 24 includes a fair review of the development and performance of the business and the position of the Company 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 names and functions of all the directors are stated on pages 4 and 5.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELECOM PLUS PLC

We have audited the financial statements of Telecom Plus PLC for the year ended 31 March 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 March 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 29 to 33 in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Services Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 28, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on directors' remuneration.

Jason Homewood (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditor
London, UK
22 May 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 £'000	2011 £'000
Revenue	1	471,458	418,845
Cost of sales		(395,085)	(352,273)
Gross profit		76,373	66,572
Distribution expenses		(16,017)	(13,252)
Administrative expenses		(32,563)	(28,301)
Other income		370	82
Operating profit	1, 2	28,163	25,101
Financial income		49	74
Financial expenses		(132)	(69)
Net financial (expense)/income		(83)	5
Share of profit of associates		2,663	2,400
Profit before taxation		30,743	27,506
Taxation	4	(7,290)	(6,781)
Profit and total comprehensive income for the year attributable to owners of the parent		23,453	20,725
Basic earnings per share	15	33.8p	30.1p
Diluted earnings per share	15	33.4p	29.9p

CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 31 MARCH 2012

	Note	Group		Company	
		2012 £'000	2011 £'000	2012 £'000	2011 £'000
Assets					
Non-current assets					
Property, plant and equipment	5	19,256	12,468	19,256	12,468
Intangible assets	6	2,969	-	2,969	-
Goodwill	7	3,742	3,742	-	-
Investments in associates	8	6,159	5,313	1,479	1,479
Deferred tax	9	1,321	1,118	1,318	1,106
Non-current receivables	10	7,711	5,095	9,986	7,370
Total non-current assets		41,158	27,736	35,008	22,423
Current assets					
Inventories		452	347	452	347
Trade and other receivables	11	15,563	15,772	15,336	15,656
Prepayments and accrued income	11	79,148	79,307	78,245	78,035
Cash		3,846	2,419	3,605	2,183
Total current assets		99,009	97,845	97,638	96,221
Total assets		140,167	125,581	132,646	118,644
Current liabilities					
Short term borrowings		(2,900)	(15,525)	(2,900)	(15,525)
Trade and other payables	12	(5,317)	(3,937)	(7,417)	(4,876)
Current tax payable		(2,981)	(2,565)	(2,805)	(2,304)
Accrued expenses and deferred income	13	(66,158)	(51,852)	(65,697)	(51,365)
Total current liabilities		(77,356)	(73,879)	(78,819)	(74,070)
Total assets less total liabilities		62,811	51,702	53,827	44,574
Equity					
Share capital	14	3,510	3,477	3,510	3,477
Share premium		7,716	4,298	7,716	4,298
JSOP reserve		(2,275)	(2,275)	-	-
Retained earnings		53,860	46,202	42,601	36,799
Total equity		62,811	51,702	53,827	44,574

These accounts were approved and authorised for issue by the Board on 22 May 2012

Charles Wigoder Director

Chris Houghton Director

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Operating activities				
Operating profit	28,163	25,101	26,797	23,617
Depreciation of property, plant and equipment	1,286	1,076	1,286	1,076
Distribution from associated company	1,817	1,090	1,817	1,090
Increase in inventories	(105)	(113)	(105)	(113)
Increase in trade and other receivables	(2,248)	(21,144)	(2,506)	(21,960)
Increase/(decrease) in trade and other payables	15,686	(724)	15,933	(220)
Increase in inter-company payable	-	-	940	1,193
Costs attributed to the issue of share options	641	436	641	436
Corporation tax paid	(6,656)	(5,745)	(6,224)	(5,359)
Net cash flow from operating activities	38,584	(23)	38,579	(240)
Investing activities				
Purchase of property, plant and equipment	(8,074)	(1,447)	(8,074)	(1,447)
Cash flow from investing activities	(8,074)	(1,447)	(8,074)	(1,447)
Financing activities				
Dividends paid	(16,636)	(15,118)	(16,636)	(15,118)
Interest received	49	74	49	74
Interest paid	(132)	(69)	(132)	(69)
Loan to JSOP share trust	-	-	-	(2,275)
Issue of new ordinary shares	483	12	483	2,287
Purchase of own shares	(444)	-	(444)	-
Sale of treasury shares	222	992	222	992
Cash flow from financing activities	(16,458)	(14,109)	(16,458)	(14,109)
Increase/(decrease) in cash and cash equivalents	14,052	(15,579)	14,047	(15,796)
Net cash and cash equivalents at the beginning of the year	(13,106)	2,473	(13,342)	2,454
Net cash and cash equivalents at the end of the year	946	(13,106)	705	(13,342)
Cash	3,846	2,419	3,605	2,183
Short term borrowings	(2,900)	(15,525)	(2,900)	(15,525)
Net cash and cash equivalents at the end of the year	946	(13,106)	705	(13,342)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2012

Consolidated	Share capital £'000	Share premium £'000	JSOP reserve £'000	Treasury shares £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2010	3,452	2,000	-	(1,278)	40,314	44,488
Profit and total comprehensive income for the year					20,725	20,725
Deferred tax on share options					167	167
Dividends					(15,118)	(15,118)
Sale of treasury shares		36		1,278	(322)	992
Credit arising on share options					436	436
Issue of new shares to JSOP	25	2,250	(2,275)		-	-
Issue of new shares	-	12			-	12
Balance at 31 March 2011	3,477	4,298	(2,275)	-	46,202	51,702
Profit and total comprehensive income for the year					23,453	23,453
Deferred tax on share options					422	422
Dividends					(16,636)	(16,636)
Purchase of treasury shares				(444)		(444)
Sale of treasury shares				444	(222)	222
Credit arising on share options					641	641
Issue of new shares	33	3,418			-	3,451
Balance at 31 March 2012	3,510	7,716	(2,275)	-	53,860	62,811

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2012

Company	Share capital £'000	Share premium £'000	Treasury shares £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2010	3,452	2,000	(1,278)	33,289	37,463
Profit and total comprehensive income for the year				18,347	18,347
Deferred tax on share options				167	167
Dividends				(15,118)	(15,118)
Sale of treasury shares		36	1,278	(322)	992
Credit arising on share options				436	436
Issue of new shares to JSOP	25	2,250		-	2,275
Issue of new shares	-	12		-	12
Balance at 31 March 2011	3,477	4,298	-	36,799	44,574
Profit and total comprehensive income for the year				21,597	21,597
Deferred tax on share options				422	422
Dividends				(16,636)	(16,636)
Purchase of treasury shares			(444)		(444)
Sale of treasury shares			444	(222)	222
Credit arising on share options				641	641
Issue of new shares	33	3,418		-	3,451
Balance at 31 March 2012	3,510	7,716	-	42,601	53,827

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

Telecom Plus PLC (the "Company") is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 March 2012 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The financial statements were authorised for issue by the directors on 22 May 2012.

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations as endorsed by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

(b) Basis of preparation

The accounts are prepared on a going concern and historical cost basis.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The most significant assumptions in the financial statements relate to the provisions for bad debts and delinquent customers, which are referred to in the Business Review under principal risks.

By virtue of section 408 of the Companies Act 2006 the Company is exempt from presenting a statement of comprehensive income. The Company made a profit for the year of £21,597,000 (2011: £18,347,000).

The following standards and interpretations have become mandatory for the Company during the current accounting period, but where relevant to the Company they have not had a material impact on the financial statements:

- IFRS 1 First time adoption of IFRS;
- IAS 24 Related party disclosure (amended);
- IFRIC 14 Prepayments of a minimum funding requirement; and
- IFRIC 19 Extinguishing financial liabilities with equity instruments.

(c) Basis of consolidation

(i) Subsidiaries

The Group's financial statements consolidate the financial statements of Telecom Plus PLC and its subsidiary. Subsidiaries are consolidated from the date on which control transfers to the Group and are included until the date on which the Group ceases to control them. Transactions between Group companies are eliminated on consolidation.

(ii) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for postacquisition changes in the Group's share of the net assets of the associate, less any

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

CONTINUED

impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate are not recognised.

(d) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. Goodwill is reviewed for impairment at least annually and any impairment is recognised immediately in the Statement of Comprehensive Income. Any deficiency of the cost of acquisition below the fair value of the identifiable net assets acquired is credited to the Statement of Comprehensive Income on acquisition.

(e) Revenue

Revenue is the value of goods and services supplied to external customers and independent distributors excluding value added tax and other sales related taxes. For each of the Company's main income streams from the provision of fixed line telephony, broadband, mobile telephony, gas and electricity services, transactions are recorded as sales in the month when the provision of those services takes place. The Company's customers are invoiced in the month following that in which the services are provided. The Company also generates revenue as a result of joining fees paid by new distributors and in relation to vehicles supplied to distributors on hire purchase agreements. These transactions are recorded as sales in the month the distributor joins the Company or is supplied with the vehicle.

(f) Interest income

Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest rate method.

(g) Leases

Payments on operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

(h) Hire purchase agreements

Hire purchase agreements relate to leases of assets where the Group has passed on substantially all the risks and rewards of ownership and are therefore classified as finance leases. When assets are leased out under finance leases, the present value of the minimum lease payments is recognised as a receivable.

(i) Taxation

The tax charge for the year comprises current and deferred tax. Taxation is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised, based on the balance sheet liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

CONTINUED

(j) Property, plant and equipment

Property, plant and equipment is stated at cost less a provision for depreciation. Depreciation is calculated so as to write off the cost less estimated residual value of the assets in equal instalments over their expected useful lives. No depreciation is provided on freehold land. Depreciation is provided on other assets at the following rates:

Freehold buildings	50 years
Plant and machinery	15 years
Fixtures and fittings	7 years
Leasehold improvements	3 years
Computer and office equipment	3 to 5 years
Motor vehicles	4 years

The carrying amounts of property, plant and equipment are reviewed for impairment when there is an indication that they may be impaired.

(k) Intangible assets

Intangible assets which arise (eg. on the entering into of significant commercial contractual arrangements) are capitalised and amortised over their useful life or, where appropriate and an indefinite life is chosen, made subject to an annual impairment review.

(l) Goodwill

Goodwill arising on the acquisition of a business, representing the difference between the cost of acquisition and the fair value of the separable net assets acquired is capitalised and is subject to impairment review, both annually and when there are indications that the carrying amount may not be recoverable.

(m) Impairment

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of assets is the greater of their fair value less costs to sell and value in use.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

(n) Investments

In the Company's accounts, investments in subsidiary and associated undertakings are initially stated at cost. Provision is made for any impairment in the value of these investments. In the Group accounts investments in associated undertakings are shown at cost plus accumulated profits less any dividends received from the associated undertakings.

(o) Inventories

Inventories are valued at the lower of cost, including related overheads, and net realisable value. Cost is measured on a first in, first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

CONTINUED

(p) Financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on trade date when the Group becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value plus, in the case of a financial instrument not at fair value through profit and loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments are derecognised on trade date when the Group is no longer a party to the contractual provisions of the instrument.

(q) Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits with banks and short term borrowings which comprise bank loans and overdrafts provided by Barclays Bank PLC.

(s) Trade payables

Trade payables are stated at their nominal value, as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.

(t) Share based payments

The fair value at the date of grant of share based remuneration, principally share options, is calculated using a binomial pricing model and is charged to the Statement of Comprehensive Income on a straight line basis over the vesting period of the award. The charge to the Statement of Comprehensive Income takes account of the estimated number of shares that will vest. All share option based remuneration is equity settled, except as set out below.

The Company established a Joint Share Ownership Plan (the "JSOP") on 30 March 2011. On vesting, any gains made on awards granted under the JSOP may be settled either through: (i) a cash payment to the participant equal to the gain; or (ii) the transfer of legal and beneficial ownership to the participant of such number of shares as have full value equal to the gain.

JSOP awards are considered to be cash-settled and therefore a fair value liability is calculated using a binomial pricing model. The fair value is charged to the Statement of Comprehensive Income on a straight line basis over the vesting period of the award. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in the Statement of Comprehensive Income.

(u) Segmental reporting

Financial information on operating segments that corresponds with information regularly reviewed by the chief operating decision maker is disclosed in note 1 to the accounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

CONTINUED

(v) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(w) Pensions

The Group makes contributions to certain employees' personal pension plans. These are charged to the Statement of Comprehensive Income in the year in which they become payable.

(x) Dividends

Final dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

(y) New standards issued but not yet effective

The Group has not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that adoption of the majority of standards or interpretations which have been issued by the International Accounting Standards Board and endorsed by the EU, but have not been adopted, will have a material impact on the financial statements.

The following standards have been issued but are not yet effective:

- IFRS 7 Financial instruments: Disclosure;
- IAS 32 Financial instruments: Presentation;
- IFRS 9 Financial instruments: Recognition and measurement;
- AS 12 Income Taxes;
- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosure of Interests in Other Entities;
- IFRS 13 Fair Value Measurement;
- IAS 27, 28 Separate Financial Statements, Investments in associates;
- IAS 19 Employee Benefits;
- IAS 1 Presentation of Financial Statements; and
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SEGMENT REPORTING

The Group's reportable segments reflect the two distinct activities around which the Group is organised:

- Customer Acquisition; and
- Customer Management.

Customer Acquisition revenues represent joining fees from the Group's distributors, the sale of marketing materials and sales of equipment including mobile phone handsets and wireless internet routers. Customer Management revenues are principally derived from the supply of fixed telephony, mobile telephony, gas, electricity and internet services to residential and small business customers.

The Board measures the performance of its operating segments based on revenue and segment result, which is referred to as operating profit. The Group applies the same significant accounting policies across both operating segments.

Operating segments

	Year ended 31 March 2012			Year ended 31 March 2011		
	Customer Management £'000	Customer Acquisition £'000	Total £'000	Customer Management £'000	Customer Acquisition £'000	Total £'000
Revenue:						
External sales	464,469	6,989	471,458	413,490	5,355	418,845
Segment result	37,096	(8,933)	28,163	30,211	(5,110)	25,101
Operating profit			28,163			25,101
Net financing (expense)/income			(83)			5
Share of profit of associates			2,663			2,400
Profit before taxation			30,743			27,506
Taxation			(7,290)			(6,781)
Profit for the year			23,453			20,725
Segment assets	131,036	2,972	134,008	117,773	2,495	120,268
Investment in associates	6,159	-	6,159	5,313	-	5,313
Total assets	137,195	2,972	140,167	123,086	2,495	125,581
Segment liabilities	(76,313)	(1,043)	(77,356)	(73,001)	(878)	(73,879)
Net assets			62,811			51,702
Capital expenditure	(7,954)	(120)	(8,074)	(1,429)	(18)	(1,447)
Depreciation	1,267	19	1,286	1,062	14	1,076

The share of profit of associates relates to the Customer Management operating segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SEGMENT REPORTING (CONTINUED)

Revenue by service

	2012 £'000	2011 £'000
Customer Management		
- Electricity	195,730	169,052
- Gas	178,615	161,924
- Fixed Communications	65,659	64,450
- Mobile	10,620	7,340
- Other	13,845	10,724
	464,469	413,490
Customer Acquisition	6,989	5,355
	471,458	418,845

As the Group has a large customer base and no undue reliance on any one major customer, no such related revenue is required to be disclosed by IFRS 8 Operating Segments. Similarly, as the Group operates solely in the United Kingdom, a geographical analysis is not considered appropriate.

2. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2012 £'000	2011 £'000
Depreciation and amortisation	1,286	1,076
Operating lease rentals - land and buildings	314	321
Auditor's remuneration - audit of the Company	73	70
- audit of the subsidiary of the Company	13	13
- other services pursuant to legislation	13	12
- taxation services	99	55
- other services	2	23
Inventories expensed	4,118	2,988
Inventory write-down (release)/expense	(29)	22
Receivables and accrued income impairment cost	9,295	8,232
Rental income	(219)	(82)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PERSONNEL EXPENSES

	2012 £'000	2011 £'000
The total charge in the Statement of Comprehensive Income comprised the following:		
Wages and salaries	15,077	13,081
Social security costs	1,480	1,307
Pension contributions	291	239
Share based payments	552	352
	17,400	14,979

	Number	Number
Average number employed by the Group during the year (excluding directors)		
Customer Acquisition	91	70
Customer Management	450	409
	541	479

	2012 £'000	2011 £'000
The aggregate remuneration of the directors (included above) was as follows:		
Salaries, fees and other benefits	936	823
Pension contributions	86	73
Other payments	-	205
	1,022	1,101
Share based payments	280	124
	1,302	1,125

The emoluments of the highest paid director were £334,020 (2011: £286,442) and pension costs were £33,000 (2011: £28,326). Three (2011: three) directors had contributions paid to their personal pension schemes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. TAXATION

(i) Recognised in the Statement of Comprehensive Income

	2012 £'000	2011 £'000
Current tax charge		
Current year	7,266	6,522
Adjustments for prior years	(195)	(199)
	7,071	6,323
Deferred tax charge		
Accelerated capital allowances	17	22
Other temporary differences	79	399
Deduction in respect of share options	(175)	(203)
Reduction in rate of future taxes	110	86
Adjustment for prior years	188	154
	219	458
Total tax charge	7,290	6,781

(ii) Reconciliation of total tax charge

	2012 £'000	2011 £'000
Profit before tax	30,743	27,506
Corporation tax using the UK corporation tax rate of 26% (2011: 28%)	7,993	7,702
Expenses not deductible for taxation purposes	90	40
Adjustment in respect of share options exercised	(204)	(330)
Reduction in rate of future taxes	110	86
Share of associate's tax charge	(692)	(672)
Adjustments in respect of prior years - current tax	(195)	(199)
- deferred tax	188	154
Total tax charge	7,290	6,781

(iii) Tax on items credited directly to equity

	2012 £'000	2011 £'000
Deferred tax on share options	422	167

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Leasehold improvements £'000	Computer and office equipment £'000	Motor vehicles £'000	Total £'000
Group and Company							
2012							
Cost							
At 1 April 2011	9,169	1,032	1,623	594	5,027	210	17,655
Additions	6,605	11	903	14	541	-	8,074
At 31 March 2012	15,774	1,043	2,526	608	5,568	210	25,729
Depreciation							
At 1 April 2011	(338)	(128)	(301)	(440)	(3,773)	(207)	(5,187)
Depreciation charge for the year	(128)	(69)	(343)	(26)	(717)	(3)	(1,286)
At 31 March 2012	(466)	(197)	(644)	(466)	(4,490)	(210)	(6,473)
Net book amounts							
At 31 March 2012	15,308	846	1,882	142	1,078	-	19,256
2011							
Cost							
At 1 April 2010	9,169	1,246	852	594	4,137	221	16,219
Additions	-	56	537	-	854	-	1,447
Disposals	-	-	-	-	-	(11)	(11)
Reclassification	-	(270)	234	-	36	-	-
At 31 March 2011	9,169	1,032	1,623	594	5,027	210	17,655
Depreciation							
At 1 April 2010	(213)	(78)	(113)	(393)	(3,117)	(207)	(4,121)
Depreciation charge for the year	(125)	(50)	(188)	(47)	(656)	(10)	(1,076)
Disposals	-	-	-	-	-	10	10
At 31 March 2011	(338)	(128)	(301)	(440)	(3,773)	(207)	(5,187)
Net book amounts							
At 31 March 2011	8,831	904	1,322	154	1,254	3	12,468
At 31 March 2010	8,956	1,168	739	201	1,020	14	12,098

The Company's newly acquired head office building, Merit House, has been classified as a fixed asset rather than an investment property as it is the Company's intention to immediately occupy the building for its own purposes once the refurbishment work has been completed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. INTANGIBLE ASSETS

	Intangible Asset £'000
Company and Group	
2012	
Cost	
At 1 April 2011	-
Additions	2,969
At 31 March 2012	2,969
Amortisation	
At 1 April 2011	-
Amortisation for the year	-
At 31 March 2012	-
Carrying amounts	
At 31 March 2012	2,969

The intangible asset is attributable wholly to the Customer Management operating segment and relates to the Company's revised energy supply agreement with npower entered into on 24 May 2011.

The intangible asset is not being amortised as it is considered to have an indefinite life. Accordingly, the asset was reviewed for impairment at 31 March 2012 by considering the future cash flows derived from the supply of energy under the agreement. In light of the overall profitability of this arrangement, it was not necessary to consider more than one year of cash flows in determining that the asset was not impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. GOODWILL

	Goodwill £'000
Group	
2012	
Cost	
At 1 April 2011	4,558
Additions	-
At 31 March 2012	4,558
Amortisation	
At 1 April 2011	816
Amortisation for the year	-
At 31 March 2012	816
Carrying amounts	
At 31 March 2012	3,742
2011	
Cost	
At 1 April 2010 and 31 March 2011	4,558
Amortisation	
At 1 April 2010	816
Amortisation for the year	-
At 31 March 2011	816
Carrying amounts	
At 31 March 2011	3,742
At 31 March 2010	3,742

Goodwill is attributable wholly to the Customer Management operating segment and comprises assets relating to the Company's subsidiary Telecommunications Management Limited ("TML").

In accordance with IAS 36 "Impairment of Assets", the Group regularly monitors the carrying amount of its goodwill. A review was undertaken at 31 March 2012 to assess whether the carrying amount of assets was supported by their value in use determined by the net present value of the future cash flows derived from the assets using cash flow projections based on current levels of profitability, with no assumed growth. A pre-tax discount rate of 20% into perpetuity was used which was considered appropriate given the expectation that, for the foreseeable future, TML will continue to operate as a going concern. The result of the review undertaken at 31 March 2012 indicated that no impairment was necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INVESTMENTS IN ASSOCIATES

Fixed asset investments

The investment in the associate represents the cost of purchasing a 20% (2011: 20%) equity interest in the ordinary share capital of Opus Energy Group Limited ("Opus"), together with the Group's share of retained reserves. Amounts shown below relating to Opus for the year ended 31 March 2012 remain subject to final audit by Opus' auditor.

	2012 £'000	2011 £'000
Associated undertaking		
Cost		
At 1 April and 31 March	1,479	1,479
Share of profit		
At 1 April	3,834	2,524
Share of profit after taxation for the year	2,663	2,400
Dividends in the year	(1,817)	(1,090)
At 31 March	4,680	3,834
Carrying amounts		
At 31 March	6,159	5,313

Associated company

A summary of the balance sheet and income statement for Opus is as follows:

	2012 £'000	2011 £'000
Total assets	60,567	51,767
Total liabilities	(33,652)	(28,935)
Net assets	26,915	22,832
Income	270,017	197,176
Expenses	(251,987)	(180,506)
Profit before tax	18,030	16,670

Investment in subsidiary companies

The Company owns 100% of the ordinary share capital of Telecommunications Management Limited ("TML"), being two £1 shares. TML is incorporated in England and Wales. The principal activity of TML is the supply of fixed wire and mobile telecommunication services to business and public sector customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. DEFERRED TAX ASSET

The deferred tax asset recognised in the financial statements is as follows:

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Tax effect of temporary differences:				
Accelerated capital allowances	(76)	(68)	(78)	(70)
Other short term temporary differences	307	603	306	593
Employee benefits expected in excess of amount expensed	1,090	583	1,090	583
	1,321	1,118	1,318	1,106

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
At 1 April	1,118	1,409	1,106	1,388
Charged to the Statement of Comprehensive Income	(219)	(458)	(210)	(449)
Taken to equity	422	167	422	167
At 31 March	1,321	1,118	1,318	1,106

The Group and Company have recognised a deferred tax asset, in the expectation of profitability in the coming year.

10. NON-CURRENT RECEIVABLES

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Hire purchase agreements receivable	2,073	1,900	2,073	1,900
Loan to JSOP share trust	-	-	2,275	2,275
Prepayment meter debt	4,962	2,578	4,962	2,578
Other non-current receivables	676	617	676	617
	7,711	5,095	9,986	7,370

No amounts receivable under hire purchase agreements are due after five years. In accordance with note (q) of the Significant Accounting Policies, non-current receivables are stated at their nominal value as reduced by any appropriate allowances, as interest that would be recognised from discounting future cash receipts over the short credit period is not currently considered material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. RECEIVABLES AND ACCRUED INCOME

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade receivables	8,674	10,329	8,542	10,204
Other receivables	6,889	5,443	6,794	5,452
Trade and other receivables	15,563	15,772	15,336	15,656
Accrued income	77,281	77,527	76,954	77,035
Prepayments	1,867	1,780	1,291	1,000
Prepayments and accrued income	79,148	79,307	78,245	78,035
Trade and other receivables	15,563	15,772	15,336	15,656
Accrued income	77,281	77,527	76,954	77,035
Receivables and accrued income (net)	92,844	93,299	92,290	92,691

Gross accrued income of £78,454,000, (2011: £78,899,000) includes March revenue invoiced in April of £41,811,000 (2011: £35,707,000), unbilled energy debtors of £36,560,000 (2011: £43,192,000) and accrued income relating to property of £83,000 (2011: Nil). Offset against this figure is an allowance for future credit losses of £1,173,000 (2011: £1,372,000), which is included in the allowance for credit losses of £13,519,000 (2011: £13,554,000).

Allowance for credit losses on receivables and accrued income

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Allowances as at 1 April	13,554	13,405	12,375	12,696
Additions – charged to Statement of Comprehensive Income	9,295	8,232	8,861	7,314
Allowances used on fully written down receivables	(9,330)	(8,083)	(8,894)	(7,635)
Allowances as at 31 March	13,519	13,554	12,342	12,375

Analysis of receivables and accrued income

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Receivables and accrued income (gross)	106,363	106,853	104,632	105,066
Allowance for credit losses	(13,519)	(13,554)	(12,342)	(12,375)
Receivables and accrued income (net)	92,844	93,299	92,290	92,691

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. RECEIVABLES AND ACCRUED INCOME (CONTINUED)

Aged analysis of trade receivables

	Not impaired but past due by the following amounts					Total carrying amount
	30 days or less	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 120 days	More than 120 days	
	£'000	£'000	£'000	£'000	£'000	£'000
2012 Trade receivables	2,857	1,790	1,137	757	7,095	13,636
2011 Trade receivables	1,872	921	1,110	560	8,444	12,907

Trade receivables due after more than 120 days predominantly relates to amounts due from customers for energy consumption that have been loaded onto prepayment meters, of which approximately £4,962,000 (2011: £2,578,000) is due after one year.

In accordance with note (q) of the Significant Accounting Policies, trade receivables are stated at their nominal value as reduced by appropriate allowances, as interest that would be recognised from discounting future cash receipts over the short credit period is not currently considered material.

12. TRADE AND OTHER PAYABLES

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade payables	2,454	1,686	4,639	2,906
Other taxation and social security	2,863	2,251	2,778	1,970
	5,317	3,937	7,417	4,876

13. ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Accrued expenses	63,828	50,211	63,690	50,031
Deferred income	2,330	1,641	2,007	1,334
	66,158	51,852	65,697	51,365

All accrued expenses fall due to be payable within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. CAPITAL AND RESERVES

Issued share capital – ordinary shares of 5p each

	2012		2011	
	Number ('000)	£000	Number ('000)	£000
Authorised share capital	80,000	4,000	80,000	4,000
Allotted, called up and fully paid share capital:				
At 1 April	69,540	3,477	69,032	3,452
Issue of new ordinary shares	668	33	508	25
At 31 March	70,208	3,510	69,540	3,477

At the year end the Company's share price was 691p and the range during the financial year was 455p to 802p.

At 31 March 2012, the Company had 70,207,963 (2011: 69,539,828) shares in issue; there were no shares held in treasury (2011: Nil). The total number of voting rights of 5p ordinary shares in the Company was 70,207,963 (2011: 69,539,828). Since the year end, a further 7,070 shares have been issued to satisfy the exercise of distributor share options, increasing the total number of voting rights of 5p ordinary shares in the Company to 70,215,033.

Cumulatively by 31 March 2012, 1,764,000 shares held in treasury had been used to satisfy the exercise of options under the Company's two share option plans.

There are 500,000 ordinary shares held in the JSOP Share Trust, representing approximately 0.7% of issued share capital, on which voting and dividend rights have been waived. These shares are included in the above total voting rights figure of 70,215,033.

Capital management

The group's objective when managing capital is to continue to provide attractive returns to shareholders.

Total shareholder equity at 31 March 2012 was £62.8 million (2011: £51.7 million).

The Group's current capital management strategy is to retain sufficient working capital for day to day operating requirements. From 1 September 2011, npower assumed responsibility for funding the seasonal variations in working capital associated with providing gas and/or electricity to those customers who pay for their energy using a budget plan.

Dividends

	2012 £'000	2011 £'000
Prior year final paid 14p (2011: 14p) per share	9,693	9,604
Interim paid 10p (2011: 8p) per share	6,943	5,514

The Directors have proposed a final dividend of 17p per ordinary share totalling approximately £11.9 million, payable on 3 August 2012, to shareholders on the register at the close of business on 20 July 2012. In accordance with the Group's accounting policies the dividend has not been included as a liability as at 31 March 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 31 March 2012 was based on the profit attributable to owners of the parent of £23,453,000 (2011: £20,725,000) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2012 of 69,365,391 (2011: 68,739,755).

	2012 £'000	2011 £'000
Basic earnings per share	33.8p	30.1p
Diluted earnings per share	33.4p	29.9p

Diluted earnings per share

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

	2012		2011	
	Profit £'000	Number of shares (‘000)	Profit £'000	Number of shares (‘000)
Basic earnings	23,453	69,365	20,725	68,740
Dilutive effects – Options	-	940	-	560
Diluted earnings	23,453	70,305	20,725	69,300

The share options may be dilutive in future periods.

16. COMMITMENTS

Operating lease commitments

The Group is committed to make payments in respect of operating leases for land and buildings as follows:

Company and Group

	2012 £'000	2011 £'000
Amounts payable:		
Less than one year	307	310
Between one and five years	542	849
	849	1,159

The principal lease arrangements relate to office premises, most of which terminate in 2014.

Capital commitments

At 31 March 2012 the Company did not have any significant capital commitments (2011: £745,000, relating to the refurbishment of Network HQ, one of the Company's freehold office buildings).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. SHARE-BASED PAYMENTS

The Company has two share option plans, one of which is available to employees, the other to distributors of the Company.

All new employees who have passed the requisite probationary period are issued with options over shares in the Company, further options are also granted to existing employees depending on their seniority and length of service ("The Telecom Plus PLC 2007 Employee Share Option Plan").

The distributor scheme ("The Telecom Plus PLC 2007 Networkers and Consultants Share Option Plan") exists to provide incentives to the people who are most successful in gathering new customers for the Company. As it is not possible to measure directly the benefit received from these activities, the fair value of the benefit received has been measured by reference to the fair value of the equity instruments granted.

On 30 March 2011 the Company established a new Joint Share Ownership Plan ("The Telecom Plus PLC Joint Share Ownership Plan 2011" or "the JSOP"). Under the terms of the JSOP 500,000 shares were issued to an Employee Benefit Trust ("the JSOP Share Trust") administered by Barclays Wealth (Guernsey) Limited, which holds the shares jointly with the only current participant, Mr Andrew Lindsay. The JSOP Share Trust was provided with an interest free loan from the Company to subscribe for the 500,000 shares, and therefore the transaction was cash flow neutral for the Company.

As set out in note (t) of the Significant Accounting Policies, JSOP awards are considered to be cash-settled and therefore a fair value liability is calculated using a binomial pricing model. The fair value liability is charged to the Statement of Comprehensive Income on a straight line basis over the vesting period of the award. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in the amortisation charge in the Statement of Comprehensive Income.

The following key assumptions were used to determine the fair value liability of the JSOP award of 215.1p per share as at 31 March 2012: a strike price of 553p per share, a share price of 691p as at 30 March 2012 (the last trading date before calculation), expected volatility of 41.7%, a 3 year expected life of the award, a risk free rate of 0.53% and an expected dividend yield of 3.91%.

Share based expenses have been charged in the consolidated Statement of Comprehensive Income as follows:

	2012 £'000	2011 £'000
Distribution expenses	89	84
Administrative expenses	552	352
Total charge	641	436

A reconciliation of movements in the numbers of share options for the Group can be summarised as follows:

	2012		2011	
	Number	Weighted average exercise price	Number	Weighted average exercise price
At 1 April	2,121,019	289p	2,488,148	240p
Options granted	340,500	656p	591,439	358p
Options exercised	(351,582)	246p	(806,697)	191p
Options lapsed/expired	(95,285)	356p	(151,871)	274p
At 31 March	2,014,652	356p	2,121,019	289p

The weighted average share price at the date of exercise for the options exercised during the year was 660p.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. SHARE-BASED PAYMENTS (CONTINUED)

During the year ended 31 March 2012, the Group issued share options to employees and distributors on two occasions as set out below.

	2007 Employee Share Option Plan	2007 Networkers and Consultants Share Option Plan	2007 Employee Share Option Plan	2007 Networkers and Consultants Share Option Plan
Date of grant	14/6/2011	14/6/2011	15/12/2011	15/12/2011
Number of options originally granted	226,600	8,000	90,900	15,000
Contractual life	10 years	10 years	10 years	10 years
Exercise price (pence)	603p	603p	774p	774p
Share price at date of grant (pence)	617p	617p	773p	773p
Number of employees/distributors	91	8	78	15
Expected volatility	40.69%	40.69%	43.82%	43.82%
Expected option life	10 years	10 years	10 years	10 years
Risk free rate	1.08%	1.08%	0.53%	0.53%
Expected dividend yield	3.65%	3.65%	3.49%	3.49%
Fair value per option (pence)	173p	173p	239p	239p

During the previous year ended 31 March 2011, the Group issued share options to employees on two occasions as set out below.

	2007 Employee Share Option Plan	2007 Networkers and Consultants Share Option Plan	2007 Employee Share Option Plan	2007 Networkers and Consultants Share Option Plan
Date of grant	5/7/2010	5/7/2010	17/12/2010	17/12/2010
Number of options originally granted	177,500	300,611	100,500	12,828
Contractual life	10 years	10 years	10 years	10 years
Exercise price (pence)	338p	338p	442p	442p
Share price at date of grant (pence)	327p	327p	443p	443p
Number of employees/distributors	54	723	59	189
Expected volatility	35.50%	35.50%	36.39%	36.39%
Expected option life	10 years	10 years	10 years	10 years
Risk free rate	1.24%	1.24%	1.24%	1.24%
Expected dividend yield	6.51%	6.51%	4.98%	4.98%
Fair value per option (pence)	49p	49p	89p	89p

The Group has used the Cox, Ross and Rubenstein Binomial Tree model to value its share options, with no account taken of any vesting conditions, other than time, due to the immateriality of the number of options with performance conditions attached. The expected volatility for the share option arrangements is based on historical volatility determined by the analysis of daily share price movements over the past 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. SHARE-BASED PAYMENTS (CONTINUED)

The options outstanding at the end of the year are as follows:

	Number 1 April 2011	Number 31 March 2012	Exercise price per share	Exercisable from	Expiry date
2007 Networkers and Consultants Share Option Plan					
15 Jul 2004	61,000	-	284p	15 Jul 2007	14 Jul 2011
27 Jan 2005	16,000	-	251.5p	27 Jan 2008	26 Jan 2012
17 Feb 2006	159,831	104,883	162p	17 Feb 2009	16 Feb 2013
30 Aug 2007	41,500	24,850	171p	30 Aug 2010	29 Aug 2017
10 Dec 2008	74,000	62,000	340p	10 Dec 2011	9 Dec 2018
26 Jun 2009	42,000	42,000	278p	26 Jun 2012	25 Jun 2019
9 Dec 2009	36,000	36,000	305p	9 Dec 2012	8 Dec 2019
5 Jul 2010	298,780	298,301	338p	5 Jul 2013	3 Jul 2020
17 Dec 2010	12,593	11,898	442p	17 Dec 2013	16 Dec 2020
14 Jun 2011	-	8,000	603p	14 Jun 2014	11 Jun 2021
15 Dec 2011	-	15,000	774p	15 Dec 2014	14 Dec 2021
	741,704	602,932			
2007 Employee Share Option Plan					
14 Jul 2004	8,230	-	284p	14 Jul 2007	13 Jul 2011
27 Jan 2005	1,000	-	251.5p	27 Jan 2008	26 Jan 2012
13 Jul 2005	3,000	-	168p	13 Jul 2008	12 Jul 2012
17 Feb 2006	38,000	35,000	162p	17 Feb 2009	16 Feb 2013
12 Jul 2006	16,500	12,500	127p	12 Jul 2009	11 Jul 2013
4 Jan 2007	9,935	3,485	199.25p	4 Jan 2010	3 Jan 2014
30 Aug 2007	189,300	140,020	171p	30 Aug 2010	29 Aug 2017
17 Jan 2008	60,950	29,350	198p	17 Jan 2011	16 Jan 2018
12 Jun 2008	319,400	279,800	330.5p	12 Jun 2011	11 Jun 2018
10 Dec 2008	177,500	104,165	340p	10 Dec 2011	9 Dec 2018
26 Jun 2009	220,000	200,500	278p	26 Jun 2012	25 Jun 2019
9 Dec 2009	82,000	70,000	305p	9 Dec 2012	8 Dec 2019
5 Jul 2010	159,000	149,500	338p	5 Jul 2013	3 Jul 2020
17 Dec 2010	94,500	83,500	442p	17 Dec 2013	16 Dec 2020
14 Jun 2011	-	213,800	603p	14 Jun 2014	11 Jun 2021
15 Dec 2011	-	90,100	774p	15 Dec 2014	14 Dec 2021
	1,379,315	1,411,720			
	2,121,019	2,014,652			
Weighted average exercise price	289.5p	355.5p			

At 31 March 2012 796,053 share options were exercisable (2011: 605,246) at a weighted average exercise price of 261.2p (2011: 185.2p). The average remaining contractual life of the outstanding options was 7.1 years (2011: 7.1 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. DERIVATIVES AND FINANCIAL INSTRUMENTS

Treasury activities take place under procedures and policies approved and monitored by the Board. They are designed to minimise the financial risks faced by the Group which primarily arise from credit, interest rate and liquidity risks.

Carrying amounts of financial instruments

All financial assets, which include cash, trade and other receivables and accrued income, are classified as loans and receivables with a total value for the Group of £104,401,000 (2011: £101,295,000) and for the Company of £105,881,000 (2011: £102,725,000). All financial liabilities, which include trade and other payables and accrued expenditure, are held at amortised cost with a total value for the Group of £72,635,000 (2011: £70,500,000) and for the Company £74,497,000 (2011: £71,271,000).

Credit risk

All customers are invoiced monthly and approximately 90% pay by direct debit; accordingly credit risk in respect of trade receivables is considered low due to the large number of customers supplied, each of whom represents an insignificant proportion of total revenue.

The Company has a universal supply obligation in relation to the provision of energy to domestic customers. This means that although the Company is entitled to request a reasonable deposit from a potential new customer who is not considered creditworthy, the Company is obliged to supply domestic energy to anyone who submits a properly completed application form. Where such customers subsequently fail to pay for the energy they have used ("delinquent customers"), there is likely to be a considerable delay before the Company is able to eliminate its exposure to future bad debt from them by either installing a pre-payment meter or disconnecting their supply, and the costs associated with preventing such delinquent customers from increasing their indebtedness are not always fully recoverable. The provision for delinquent customers included in accrued expenses and deferred income is £0.98m (2011: £1.0m).

The maximum credit risk for the Group is £104,401,000 (2011: £101,295,000) and for the Company £105,881,000 (2011: £102,725,000).

Interest rate risk

The Group finances its operations primarily through the issue of equity shares and from cash generated and retained within the business. Cash surpluses are placed on deposit with Barclays Bank PLC at money market rates to maximise returns.

The Group's profit and equity for the current year will not be significantly affected by changes in the UK base rate of +/- 1% from current levels, due to the policy of placing funds on fixed rate deposit for terms of up to 1 year.

Commodity price risk

The Group is not exposed to any fluctuations in commodity prices due to the nature of the agreements with wholesale providers of telephony and energy services and its ability to pass the effect of any such fluctuations through to its customers.

Liquidity risk

The Group's treasury management policies are designed to ensure continuity of funding.

Foreign currency risk

The Group does not have any foreign currency exposure.

Interest rate and currency profile of financial assets and liabilities

All financial assets and liabilities are denominated in Sterling. Receivables due after one year include £2,750,000 (2011: £2,516,000) due from employees and distributors which earns interest at variable rates above Base Rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. DERIVATIVES AND FINANCIAL INSTRUMENTS (CONTINUED)

Borrowing facilities

At 31 March 2012, the Group had an available overdraft facility of £5,000,000 (2011: £5,000,000) and an available money market loan facility of £6,000,000 (2011: £20,000,000). These facilities are available to the Group until 30 June 2012.

From 1 July 2012 onwards, the Group has secured from Barclays Bank PLC an overdraft facility of £5,000,000 and a money market loan facility of £15,000,000 for the year to 30 June 2013. As well supporting the day to day operations of the Group, these facilities will enable it to commence the refurbishment programme for its new freehold office building.

The facilities are secured by fixed and floating charges over the assets of the Company and through a cross guarantee with the Company's subsidiary TML.

Fair values

There is not considered to be any material difference between the fair value of any financial instruments and their net book amount due to the short term maturity of the instruments.

19. RELATED PARTIES

Identity of related parties

The Company has a related party relationship with its subsidiary (see note 8), associate (see note 8) and with its directors and executive officers.

Transactions with key management personnel

Directors of the Company and their immediate relatives control 26.7% of the voting shares of the Company.

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

	2012 £'000	2011 £'000
Short term employee benefits	1,060	939
Post employment benefits	86	73
Termination benefits	-	205
	1,146	1,217
Share based payments	280	124
	1,426	1,341

During the year, the Company acquired goods and services worth approximately £26,000 (2011: £92,000) from companies in which directors have a beneficial interest.

Other related party transactions

Associates

During the year ended 31 March 2012, the associate supplied goods to the Group which amounted to £749,000 (2011: £604,000) and at 31 March 2012 the associate was owed £60,000 by the Group (2011: £42,000). Transactions with the associate are priced on an arm's length basis. Dividends received during the year from the associate amounted to £1,817,000 (2011: £1,090,000) relating to the financial year to 31 March 2011.

Subsidiary company

During the year ended 31 March 2012, the subsidiary purchased goods and services from the Company in the amount of £6,709,000 (2011: £7,535,000). At 31 March 2012 the subsidiary was owed £2,718,000 by the Company which is recognised within trade payables (2011: £1,778,000).



Home Phone



Mobile



Internet



Gas



Electricity