

REPORT AND ACCOUNTS

YEAR ENDED 31 MARCH 2018



HOME PHONE



BROADBAND



MOBILE



GAS



ELECTRICITY



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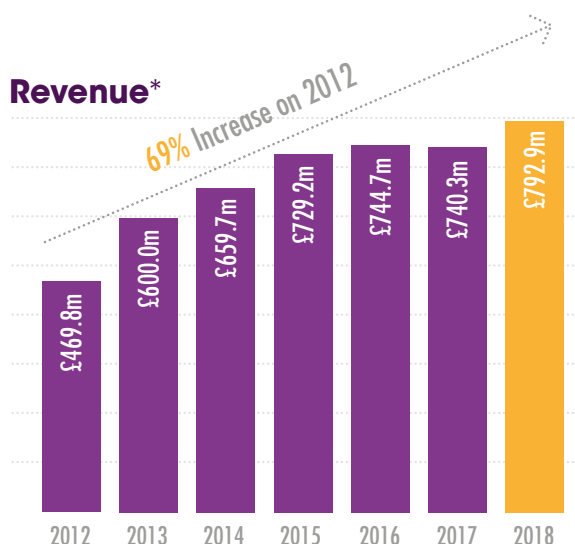
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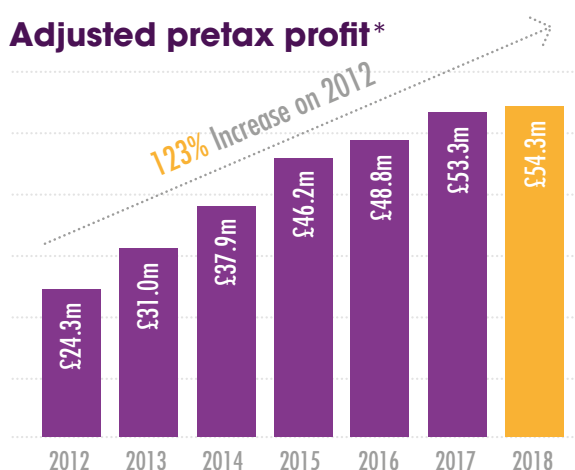
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FINANCIAL AND OPERATING HIGHLIGHTS

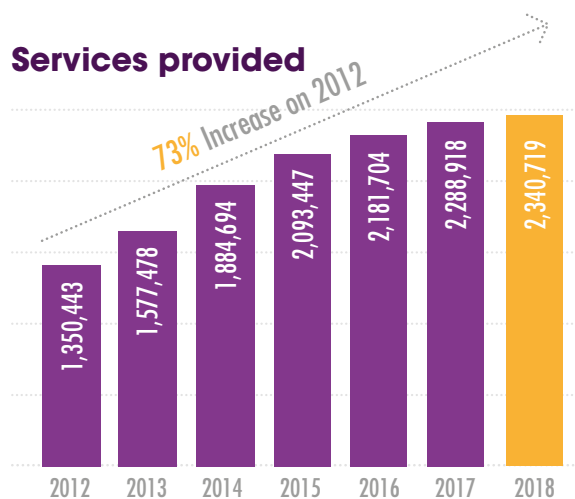
Revenue*



Adjusted pretax profit*



Services provided



- Revenue up 7.1% to £792.9 million
- Adjusted pre-tax profit (continuing operations)* up 1.8% to £54.3 million
- Statutory pre-tax profit (continuing operations) up 0.3% to £41.0 million
- Adjusted EPS (continuing operations)* up 3.4% to 55.1p
- Statutory EPS (continuing operations) up 2.1% to 38.8p
- Full year dividend up 4.2% to 50p
- Further organic growth in both services and Members
- Winner 'Utilities Provider of the Year' at *Which?* Awards 2018
- Membership quality continues to improve
- Home Insurance gaining traction
- Enhanced CashBack card launched

*Financial years 2011 - 2014 are restated. Adjusted pre-tax profit and EPS exclude share incentive scheme charges and amortisation of intangible assets. FY18 adjusted pre-tax profit (£54.3m) and EPS exclude share incentive scheme charges (£2.0m) and amortisation of the energy supply contract intangible asset (£11.2m); in addition, as a discontinued operation and for ease of comparability, the contribution from Opus (which was sold in February 2017) has been excluded from profit before tax and EPS for 2017 and historic accounting periods.

OUR VALUES AND SERVICES

FIXED TELEPHONY

Our fixed-line telephony service gives Members highly competitive pricing on the cost of their line rental and guaranteed savings on their call costs compared with other major providers.



BROADBAND

A choice of high-quality broadband services offering great value, fast speeds and outstanding technical support.



CASHBACK CARD

An exclusive pre-paid Visa® card providing between 3% and 7% CashBack at a wide range of leading national retailers, plus up to 1% CashBack on their other monthly household spend.



INSURANCE

We offer a branded home insurance service featuring consistently low pricing, no upfront payment, and monthly premiums at no extra charge on their regular UW bill.



ONE MONTHLY BILL



ONLINE SHOPPING

We have over 3,000 online shopping partners offering attractive extra savings of up to 20%. Members choosing to take advantage of these offers by purchasing through our online Clubhouse, receive the extra discount as CashBack on their bill - irrespective of the means of payment they have chosen.



GAS AND ELECTRICITY

We provide consistently fair prices, with guaranteed savings for domestic users compared with the average of the cheapest standard variable tariffs charged by the 'Big 6'.



MOBILE

With a wide choice of handsets and competitive price plans, our mobile service provides outstanding value and great savings.

We also offer a unique combination of benefits including 'budget control', a loyalty discount, free handset protection against loss or damage, low out-of-bundle charges, and allowing Members to change their Price Plan at any time (even within any applicable minimum contract term).

OUR APPROACH

Our lowest prices and most attractive benefits are reserved for Members who switch all their services to us (Energy, Broadband and Mobile). We strongly believe in treating our Members fairly, and that loyalty should not be penalised.

These values are reflected throughout our retail proposition, with 'everyday low pricing' for both new and existing Members. So for example (and unlike most other suppliers), where we reduce the cost of a tariff due to falling wholesale prices or to attract new Members, then these lower prices and/or improved benefits (e.g. extra mobile data) are automatically given (or made available as applicable) to all our existing Members too.

Our mission is to be the Nation's most trusted utility supplier... the one you'd recommend to your Mum

You're a
Member not
a number

Welcome to the Club

Although we're a major British business, we're not like other utility suppliers. We're a Discount Club, 100% focused on helping our Members save money on their household bills.

Guaranteed
value

Switch more, save more

By bundling different services together, and cutting out expensive overheads, we can pass savings directly onto our Members. The more services you take, the more you can save.

Making life
simple

One bill, one contact

We make life easier for you – with one clear, simple monthly bill for all the services you take. It shows you where you make extra savings and get more value. And with only one supplier, you have a single contact to deal with.

Exclusive
club benefits

CashBack card

It really does pay to be a Member of Utility Warehouse. Not only can you save on energy and phone bills, but there are lots of other exclusive Member benefits – like our CashBack card that saves you money on your everyday shopping.

Taking care
of you

5 star customer service

We really care about our Members. In fact, great customer service is at the heart of everything we do. When you switch your services to us, we handle it all for you. And our award-winning UK call centre is always here when you need us.

Trusted and
recommended

Winner 'Utilities Provider of the Year' at Which? Awards 2018

Friendly, fair, ethical – with an absolute commitment to being the Nation's 'most trusted' utility supplier. People come to us because their family and friends recommend us.

Which? recommend us too – time and time again. Ranked #1 for energy and mobile, a 'Recommended Provider' for Home Phone and Broadband, and overall winner in their 2018 Annual Award as the Utilities Provider of the Year.

CHAIRMAN'S STATEMENT

“ I am pleased to report a satisfactory year for the Company, in which we achieved modest growth across all our key performance metrics in the face of challenging market conditions.

Adjusted pre-tax profits increased by 1.8% to £54.3m (2017: £53.3m), and statutory pre-tax profits were marginally ahead at £41.0m (2017: £40.9m), on revenue up by 7.1% to £792.9m (2017: £740.3m); adjusted earnings per share for the year rose by 3.4% to 55.1p (2017: 53.3p), and statutory EPS increased by 2.1% to 38.8p (2017: 38.0p) (all these figures exclude the prior year financial contribution from our minority shareholding in Opus which was sold in February 2017 generating an exceptional profit of £62.3m).

Growth in customer and service numbers was held back by the large gap between standard variable energy tariffs and aggressively priced introductory deals from certain other suppliers, which persisted throughout the year. Against this competitive background, it is pleasing that full year customer and service numbers continued to grow, rising to 610,739 (2017: 607,802) and 2,340,719 (2017: 2,288,918) respectively. Within these headline figures there has been a further significant improvement in the quality of our customer base, with 120,329 (2017: 102,126) residential Members now taking all our core services (landline, broadband, mobile, gas and electricity).

We received a number of awards during the year recognising both the value we offer and the quality of service provided by our UK-based membership support teams, including being rated by independent consumer champions *Which?* as **The Top Supplier** and/or as a **Recommended Provider** for all our core services: Energy, Broadband/Telephony and Mobile; we also received three awards from Moneywise.

We were particularly delighted to receive the prestigious accolade of 'Utilities Provider of the Year' at the recent *Which?* 2018 Annual Awards. Whilst each of our core services has been recognised individually by them on many occasions as amongst the best in the market, this is the first time that our unique multi-utility brand and the excellence we deliver across the board has been recognised in this way.

These third party independent and prestigious endorsements are testament to our customer-centric approach, our commitment to treating our Members fairly, our ongoing mission to be the Nation's most trusted utility provider, and the significant resources invested in delivering the best possible customer service. ”

RESULTS OVERVIEW

Revenues rose on the back of an industry wide increase in retail energy tariffs during Spring 2017, a colder winter than the previous year, modest growth in the total number of services we supply, and rising penetration of fibre broadband and mobile. Countering these positive factors, an increasing proportion of Members benefitting from our cheapest 'Double Gold' tariffs, and a reduction in average energy usage (reflecting the progressive impact of industry-wide energy efficiency measures enhanced by our successful LED light bulb replacement service) both acted to hold back revenue growth.

Our adjusted profit from continuing operations (ie: excluding the contribution from Opus that was sold in February 2017) predominantly reflects the continuing modest organic growth over the last two years in the number of services we are providing to our Members, improved commercial terms from our wholesale partners, some early benefits from our smart meter roll-out programme, continued investment in headcount and increased spending on technology and systems.

Dividend

In line with previous guidance, we are proposing a final dividend of 26p (2017: 25p), bringing the total for the year to 50p (2017: 48p); this represents an increase of 4.2% compared with last year, and will be paid on 3 August 2018 to shareholders on the register at the close of business on 13 July 2018 subject to approval by shareholders at the Company's AGM which will be held on 26 July 2018. We remain committed to a progressive dividend policy consistent with the underlying strong cash generation of our business.

Share Buyback

In light of our particularly strong balance sheet and cap-ex light business model, and to prevent the level of excess capital on our balance sheet continuing to increase, we announced in our interim management report our intention (until further notice) "to use any retained profits from this and any future financial periods to buy back shares in the market". To that end, we intend shortly to buy back shares with an aggregate value of £4.7m.

Churn

Against a background in which record numbers of households are switching their energy supplier (encouraged by government, press, the CMA and Ofgem), our churn remains significantly below prevailing industry levels. We attribute this to a combination of factors including our 'consistently low pricing' approach, high standards of customer service, unique route to market, the steadily improving quality of our customer base and increased investment by us in retention activities, partially offset by the continuing large gap between standard variable tariffs and introductory deals.

Proposed Energy Price Cap

We welcome the proposed energy price cap which has now passed the Committee Stage at the House of Lords without amendment. We believe this will create a fairer energy market by narrowing the gap between standard variable tariffs (paid predominantly by millions of disengaged households) and the introductory fixed price deals available to those who choose to switch supplier on a regular basis.

Whilst the implementation date and level of the cap have not yet been finalised, Ofgem has recently published a timetable (subject to consultation) suggesting it will become effective at the end of December

CHAIRMAN'S STATEMENT

CONTINUED

2018, subject to an initial review that will be effective from 1 April 2019, and further reviews effective six-monthly thereafter. The level will clearly depend on commodity and policy price movements.

We will be sheltered from the full impact of this price cap under our wholesale supply arrangements with npower, and we look forward to passing these lower energy prices onto our customers with the consequential improvement in our competitive position it implies.

BUSINESS DEVELOPMENT

Insurance

We are encouraged by the early results from our Home Insurance service, which is starting to gather momentum. By the end of May 2018 we had collected over 75,000 renewals dates from our membership, to whom we can send targeted direct marketing over the course of the coming year; we anticipate this will enable us to grow our policy book from c.5,000 to c.20,000 over the course of the current year.

Our 'consistently low price' approach to setting premiums is unusual within the insurance sector, and means that in many cases Members are actually seeing the cost of their insurance fall when their UW insurance policy comes up for renewal; as a result, we are seeing average renewal rates in excess of 95%.

We are currently working on launching both Home Care Insurance and a Boiler Maintenance Policy for our Members, which will complement our recent purchase of Glow Green Limited. Expanding into these areas has been a long-term aspiration for us, as these policies are directly relevant to the core services we are already providing to our Members, and we are excited by the significant market opportunity this opens up for us (with over five million UK households currently taking these types of cover from another supplier).

We remain confident that Insurance has the potential to make a material contribution to the financial performance of the group in due course.

Energy

The energy market remains polarised between the 'Big 6', who are trying (with some success) to maintain profitability at the expense of seeing their market share shrink, and an increasing number of independent suppliers, who are growing their customer numbers whilst incurring significant losses.

The downward trend in energy prices which prevailed for most of the last four years has started to reverse, with rising commodity prices being accompanied by higher regulatory, distribution and policy costs; this has led to higher retail prices for both standard variable tariffs and, to a lesser extent, on fixed price introductory deals. However, a large gap between the top and bottom of the market remains, caused by a combination of regulatory cost exemptions enjoyed by smaller suppliers, their lower operating costs (associated mainly with not having a legacy customer base), and their decision to price retail energy tariffs at whatever price is needed to attract new customers irrespective of whether this generates a positive margin.

We find it difficult to understand how this multitude of sub-scale competitors can develop viable long-term business models, given their similar wholesale cost structures, similar distribution channels (focussed on lowest-price retail propositions) and high levels of churn (as customers who had chosen to switch to them based predominantly on price, actively search the market for further savings as soon as they reach the end of their introductory fixed-price period).

In contrast, our approach is to offer consistently fair pricing combined with a unique range of other benefits, in order to attract and retain good quality multi-utility customers. This has enabled us to deliver consistent (albeit modest) growth in both service numbers and profitability, in contrast to either the 'Big 6' or other independent suppliers.

Amongst the unique benefits we offer is Project Daffodil, an innovative free LED light bulb replacement service. We are currently providing this service to around 3,000 households each month, and have so far installed approaching 3,000,000 energy efficient bulbs in more than 78,000 Members' homes (both new and existing) who have switched their energy and telephony services to us. By reducing household electricity usage, Daffodil goes a long way towards narrowing the gap between our energy prices and the introductory tariffs available elsewhere; this has been a major factor behind the improvement in the quality of new Members joining the Club, as well as encouraging our longer-standing Members to add additional services in order to take advantage of this valuable benefit.

We made good progress during the year with our smart meter roll-out programme, achieving an installed base of over 207,000 (largely dual fuel) meters by the end of the financial year; this represents 21.6% of our residential meter portfolio and puts us slightly ahead of the average for the industry as a whole. This performance was achieved despite the continuing failure of our contracted meter operators to meet their agreed service levels, which has contributed to a small rise in delinquency levels.

We anticipate the pace at which we install meters will pick up rapidly over the next two years as we work towards meeting our BEIS targets, although there is a risk that the planned changeover from SMETS1 to SMETS2 (second generation) smart meters later this year could disrupt our planned rollout schedule. The financial benefits from this programme (excluding any timing differences which may arise between when costs are incurred and when they are recovered) remain subject to considerable uncertainty, and are partly dependent on the speed and efficiency of our roll-out relative to other suppliers.

Improving our customer proposition

We made some key enhancements to our mobile service during the year, introducing larger data bundles and significantly reducing the cost of roaming (both in the EU and worldwide) – both of which have led to improved take-up of this service amongst our Members.

We have a competitive two-year fixed energy tariff available to Members (new and existing) who are taking their Energy, Broadband and Mobile services from us.

We have recently launched an improved CashBack card, giving Members the opportunity to significantly increase their annual savings, by enabling them to earn CashBack wherever they shop.

Our mobile app has been enhanced, and is increasingly being used by Members to submit meter readings, top-up their mobile and/or CashBack card, track their mobile usage, and find their nearest CashBack retail outlets. Further improvements to its functionality are planned going forward.

Our drive to encourage Members to receive their monthly bill electronically is progressing well, with 59% (2017: 47%) no longer receiving a paper copy; as this proportion continues to rise, we will benefit from increased operational efficiency from the ability to smooth out the peaks in the volume of inbound customer service calls.

CHAIRMAN'S STATEMENT

CONTINUED

In May 2018, we acquired a 75% shareholding in Glow Green Limited ('Glow Green'), a small fast-growing supplier/installer of domestic gas boilers and warranty/care plans for consideration of £1.5m. In addition, we have provided Glow Green with a £0.5m repayable working capital loan facility. Our intention is to support their existing management team in implementing their exciting and ambitious growth plans for the business (which include creating a nationwide engineering footprint) by providing the relatively modest working capital they need to achieve their ambitions, and promoting their services to our membership base.

In addition to supporting the launch of new Home Care insurance policies and Boiler Maintenance plans, Glow Green will also enable us to offer new gas boilers to our Members as their existing ones reach the end of their useful lives; this is another significant potential market, and we look forward to building a progressively increasing share of it over the coming years.

Information Technology

We continue to increase our investment in IT, which is at the core of our business. Important projects have included preparing for GDPR, strengthening our cyber-defences, updating our technology and systems generally, and preparing for the mass rollout of smart metering.

ROUTE TO MARKET

Our network of almost 40,000 'Partners' represents one of our core strengths, and we are totally committed to helping them build successful independent businesses which generate significant residual incomes. We are encouraged at the steady number of new Partners signing up to the opportunity, which has been broadly constant at about 600-800 per month since the start of the current calendar year.

These Partners continue to introduce high quality new Members in significant volumes, and we are constantly looking for ways to help them achieve this in even greater numbers (by improving our customer proposition, training tools, and sign-up processes) and to motivate them to do so (by enhancing the compensation plan and offering a range of holiday incentive trips).

We recognise it has been more challenging for Partners to gather new Members and build their Utility Warehouse businesses when there are such large pricing differentials in the energy markets, but we have been pleased that so many of them still achieved significant success during the year by focussing on the unique strengths of our proposition and the exclusive benefits we offer.

CORPORATE GOVERNANCE

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

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

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

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

OUTLOOK

Recent Trading

Our annual sales conference took place on 17/18 March 2018, and was attended by over 5,000 Partners. We highlighted the strong alignment of interest that exists between the Company and the Partner Network under the theme "One Team – One Dream", and announced the launch of an improved CashBack card and a new range of Mobile tariffs, both of which were extremely well received.

These changes have led to an encouraging rise in the number of new Members being gathered during the first quarter, accompanied by a significant improvement in their quality, with a record level (over 55%) switching all their services to us.

Energy Prices and Regulatory Changes

Forward energy commodity prices have risen by around 19% since 1 January 2018, and non-commodity costs (e.g. distribution, renewables, smart-meter roll-out, etc) are also on a rising trend. This has exerted upward pressure on retail energy prices, with all the 'Big 6' having recently announced modest increases to their standard variable tariffs; we have informed our Members that our own tariffs will also be increasing from 1 July, albeit that they will remain up to 5% cheaper than the average of the equivalent tariffs available from the 'Big 6'.

Counterintuitively, these higher wholesale costs have not as yet been reflected in the introductory retail prices offered by smaller new entrants, whose customer acquisition strategy appears to rely upon having a retail price position at (or towards) the top of price comparison site results, irrespective of the impact this will have on their profitability and/or cashflow. This is clearly not sustainable, as has been demonstrated by the number of smaller independent suppliers who have ceased trading recently. In the absence of strong balance sheets to absorb the losses they will be making, and/or a collapse in commodity prices, further insolvencies seem inevitable.

These dynamics have led to a continuing large gap between the cheapest introductory deals and standard variable tariffs, which seems likely to remain until Ofgem implement the price cap on standard variable tariffs, currently expected at the end of December 2018.

The financial impact of this cap on suppliers will depend (inter alia) on their cost structures, operational efficiency, tariff mix and hedging strategy. For us, our wholesale energy supply arrangements are expected to shelter our margins, with the downward pressure on profits from lower prices being offset by faster growth and lower churn over the medium term. Overall, we strongly welcome this initiative.

We note the recent corporate activity relating to npower, a wholly owned subsidiary of Innogy. npower and SSE have agreed (subject to regulatory approval) to merge their UK supply businesses, and separately, Eon has agreed to acquire Innogy (also subject to regulatory approval). If concluded, either of these transactions may enable us to improve our current wholesale terms, making our retail energy proposition even more competitive in the future.

CHAIRMAN'S STATEMENT

CONTINUED

The Competition and Markets Authority published their final report on the domestic energy market during 2017. Their proposals to remove the previous restrictions on discounts, bundling, and the number of tariffs each supplier can offer have now largely been implemented, but there are widespread concerns within the industry that Ofgem seem committed to persevering with their proposed database of disengaged customers, notwithstanding that the impending price cap will significantly reduce the issue that the database was designed to address; the likely impact of this will be greater bureaucracy, more churn and increased supplier costs, which will inevitably be reflected in higher overall energy prices for everyone.

We accept that regulation has an important role to play in ensuring the energy markets are operating in a transparent manner, creating a framework which encourages real competition, protecting the rights of consumers, and ensuring they receive a fair deal for their energy. However, there are too many instances where decisions are being made which unnecessarily increase supplier costs, with the burden ultimately falling on consumers.

One such area is in relation to so-called 'small supplier exemptions' enjoyed by suppliers with less than 250,000 customers. These create significant distortions and widespread consumer detriment, and we are encouraged that a consensus seems to be building that these exemptions are no longer serving the purpose for which they were conceived, and ought to be scrapped.

Prospects

Successfully navigating the constant stream of changes flowing across all the sectors in which we operate has been challenging, however, our experienced senior management team have demonstrated their consistent ability to do so in a way which is creating significant and growing value for all our stakeholders.

After four years of modest growth, achieved in the face of fierce headwinds, our competitive position and the market environment for our unique multi-utility proposition are starting to improve.

On Mobile, we have recently introduced an attractive range of new tariffs, designed to address the needs of a broader cross-section of the population. The combination of attractive benefits, value and service provided by our mobile proposition was recognised by *Which?* magazine in their most recent survey of the mobile market, when they awarded us 'Recommended Provider' status and ranked us ahead of all other suppliers. As a result, we anticipate that penetration of Mobile within our customer base will continue to increase over the current year.

On Home Insurance, the rate at which we add new policies is expected to increase as we add further underwriters to our panel and fine-tune our marketing to existing Members, over 75,000 of whom have already provided us with the policy renewal date for their current provider. The feedback we are receiving and the high renewal rates we are seeing (in excess of 95%) from Members reaching the first anniversary of their UW home insurance policy, make us increasingly confident this service will make a material contribution to the business in due course.

On Energy, we look forward to the price cap taking effect later this year, which we anticipate will lead to faster customer growth for a number of reasons: (i) it will reduce the cost of standard variable tariffs throughout the industry, which will lower our wholesale cost and therefore make us more competitive; (ii) it will remove the opportunity for other suppliers to use the excess profits they are making from their legacy

unengaged customer bases, towards funding introductory deals for new customers; and (iii) a smaller gap between SVTs and introductory fixed tariffs will reduce churn, create higher Partner confidence and thus drive more activity.

Partner confidence should be further enhanced by our recent recognition by *Which?* (the UK's leading independent consumer champion) as the 'Utilities Provider of the Year' for 2018. This is a hugely powerful endorsement of our business model, our commitment to treating our Members fairly, the trust we are building, and the consistently good value and great service we deliver. We will seek to leverage this endorsement over the next twelve months, working closely with our Partners, to help them increase the conversion ratio amongst potential customers they approach, and to encourage more new Partners to join.

Our strategy of achieving consistent high quality growth through delivering savings, simplicity and exceptional customer service continues to bear fruit. We have seen a significant improvement in the proportion of new Members who are switching all their services to us over the course of the last two years (from c.35% to over 50%); these better quality customers have the highest expected lifetime value, although they cost significantly more to acquire.

From a financial perspective, the outcome for this year will depend on when the proposed energy price cap becomes effective, which Ofgem have indicated (subject to consultation) will happen on 31 December 2018. On that basis, we remain comfortable with our guidance range for this year's adjusted pre-tax profits of £55m-£60m, which would enable us to increase our dividend to not less than 52p per share for the current year.

It only remains for me to thank my boardroom colleagues for their support and all our staff and Partners for their loyalty and hard work. As a team, we remain committed to building this business to one million households (and beyond) over the coming years, and I look forward to the opportunities and value that achieving this goal will create for all stakeholders.

Charles Wigoder

Executive Chairman

18 June 2018

CHIEF EXECUTIVE'S REVIEW

MARKETS

We supply a wide range of essential services under the Utility Warehouse brand (gas, electricity, landline, broadband, mobile and home insurance) to both domestic and small business Members throughout the UK; these are all substantial markets and represent a significant opportunity for further organic growth.

The markets we operate in are generally dominated by a relatively small number of former monopoly suppliers and other owners of infrastructure assets, although in each there are also a number of independent suppliers carving out their own niches, generally based on offering highly competitive introductory deals promoted through price comparison sites, national advertising, and direct marketing campaigns.

BUSINESS MODEL

We have a fundamentally different business model to any other utility provider in the UK in three key respects:

- we operate our business as a Discount Club; each of our customers becomes a Member, receiving a level of service commensurate with that status;
- we are the only fully integrated provider of both energy and communications services in the country. This enables us to enjoy significant operating efficiencies by spreading a single set of overheads across the multiple revenue streams we receive from our Members; and
- we have a unique route to market, with approaching 40,000 part-time self-employed Partners; rather than seeking to attract new Members through expensive advertising or price comparison sites, we instead benefit from personal recommendations by both our Partners and our existing Members.

Partners can earn a small percentage of the monthly revenues generated by any Members gathered, either personally, or by someone in their team. Applying a similar principle, we reward our existing Members with shopping vouchers when they introduce a new Member to the Club.

We continue to follow a different strategy to that of our competitors in both the energy and communications markets, focussing on delivering an integrated multi-utility proposition that includes three key benefits:

Savings (compared with the prices they were previously paying), **Simplicity** (just one convenient monthly bill making it easier to manage a significant part of their monthly household budget), and **Service** (delivered by our award-winning UK-based support teams).

These benefits are supported by our commitment to treating our Members fairly, avoiding the typical marketing strategy adopted by our competitors of combining cheap introductory deals for new customers with much higher tariffs charged to their legacy customer bases. We believe their approach is not only fundamentally unfair on loyal customers, but less likely to create a sustainable long term business, as customers who have chosen to switch once based solely on the headline price on a comparison site will have a higher propensity to do so again when their introductory deal expires; these dynamics are supported by recent switching data within the electricity market for domestic customers, where reported churn amongst small and medium suppliers (excluding ourselves) is running at an annualised rate of approaching 30%.

Our alternative approach is to focus on treating all our Members in a fair manner, and to give everyone consistently good value on all their services, rewarding loyalty and commitment with additional discounts and benefits available to our most valuable and long-standing Members.

The delivery of these core values is critical to our route to market, giving our Partners the confidence to promote our services to their friends and family – as well as generating recommendations from existing Members who in many cases also become advocates for our brand. The Net Promoter Scores ('NPS') of around 50 that we consistently achieve reflect our relentless focus on this goal, and are in stark contrast to the negative NPS scores prevalent within the utility and telecoms markets.

Against a backdrop where most of our competitors seem focussed almost solely on price, we believe that genuinely earning the **Trust** of our Members is the key point of differentiation that will enable us to achieve our medium-term growth objectives and help us maximise long term shareholder value. By treating our Members fairly, as we would like to be treated ourselves, we aim to earn both their loyalty (which delivers long term, sustainable revenues) and their enthusiasm for our business model (which creates growth through referrals).

Examples of this approach include not offering short-term discounts to new Members as an inducement to switch, always allowing existing loyal Members to benefit from any new tariffs we introduce, reserving our best benefits and lowest prices for those who have switched the most services to us. Combined with the wider range of benefits and consistently good value we offer, this is expected to create significantly greater shareholder value over the medium term through lower churn and longer average customer lifetimes.

We continue to invest in our IT systems, which enable us to integrate all the services we supply into a single monthly bill, supported by just one set of central overheads (including all administrative and membership support functions). This highly efficient cost base is a key factor in enabling us to offer attractive pricing and a wide range of valuable benefits to our Members, a secure and growing residual income to our Partners, and a healthy dividend stream to shareholders. We are now around two years into our medium term programme to enhance and update these systems; progress is encouraging, and we look forward to the greater business efficiency and flexibility this will deliver in due course.

We have strong commercial relationships with all our key suppliers, who recognise the value of our unique route to market and the importance of maintaining our competitive market position. To this end, we have regular and ongoing discussions with each of them about how the market dynamics for each of our services are changing, and the best way to ensure these are appropriately reflected in our wholesale pricing structure. These strong relationships are illustrated by the recent improvements to our wholesale mobile rates which enabled us to significantly improve UK inclusive data allowances and worldwide roaming charges, as well as the better broadband commercials we negotiated with TalkTalk last year.

We are extremely pleased with the further progress we have made this year in taking advantage of our multiple key points of differentiation, and towards securing our position as the Nation's most trusted utility provider.

CHIEF EXECUTIVE'S REVIEW

CONTINUED

STRATEGY

Our strategy is to progressively increase our share of the markets in which we operate through organic growth, and to build a robust, sustainable and profitable business.

We will achieve this by growing our Partner network and making it easier for them to promote our services more effectively, through maintaining our focus on delivering best-in-class service and support to our Members, treating them fairly and investing in our systems and staff. We will seek to simplify and, where possible, improve the competitiveness of our services even further, encouraging existing Members to talk about the unique benefits we offer to their friends and acquaintances.

To this end, we have recently introduced an enhanced new CashBack card which offers savings to Members wherever they shop, rather than solely at a limited number of major retail partners; since announcing this benefit at our annual sales conference in March, we have seen the proportion of new Members applying for a CashBack card increase.

We continue to explore the possibility of expanding our current range of core services into areas where we can build upon our existing strong relationship with our Members by offering them both a better experience and better value on services they currently obtain from other suppliers, whilst also delivering a satisfactory return for our shareholders. This approach is demonstrated by the successful initial roll-out of our new Home Insurance service, which we anticipate will be supplemented by a range of other insurance products in due course - starting with a Home Care policy later this year. In the medium to longer term, potential new services include water and television, and combining the national rollout of smart meters with other 'connected home' products and services to leverage our position as the only fully integrated multi-utility supplier in the country.

OPERATIONAL PERFORMANCE AND NON-FINANCIAL KPIs

Despite a challenging competitive environment, our overall performance for the year has been encouraging in a number of key respects:

- continuing organic growth with service numbers up by 52,000 (2017: 107,214)
- reduced churn against a background of record levels of energy switching
- materially higher proportion of Members now taking our 'Double Gold' bundle
- over 75,000 Home Insurance renewal dates captured from Members
- lower unit fulfilment costs for our free LED light bulb replacement service
- **Best Telecom Services Provider at annual *Which?* Awards 2017**
- **Best Utilities Provider at annual *Which?* Awards 2018**
- *Which?* #1 rated provider for Mobile April 2018
- *Which?* #1 rated provider for Energy January 2018
- *Which?* 'Recommended Provider' for Broadband March 2018
- consistently high Net Promoter Scores

Against the background of a slowly growing economy, and with household incomes remaining under pressure, our value-based consumer proposition and the part-time income opportunity we offer remain extremely attractive to both Members and Partners respectively.

Our continuing organic growth is underpinned by high levels of confidence amongst our Partners in our brand and financial strength, the good value we provide through our fair pricing policies, and our commitment to delivering best-in-class service and support to our Members.

Members

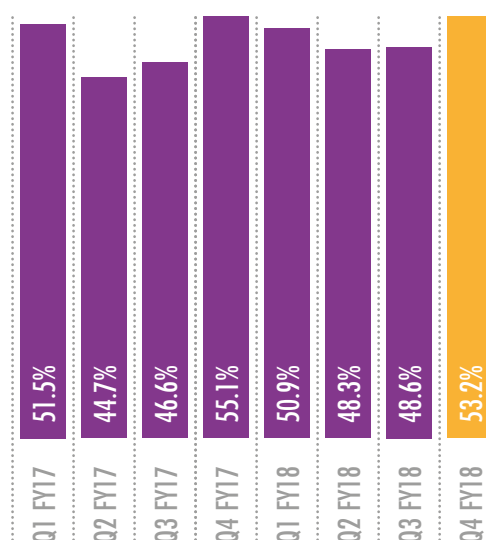
MEMBERS	2018	2017
Residential Club	583,273	578,799
Business Club	27,466	29,003
TOTAL CLUB	610,739	607,802

Whilst we continue to regard our business Club as an exciting long-term opportunity, the dynamics of this market make it extremely difficult to grow in the current energy wholesale pricing environment.

The current focus is therefore firmly on our residential Club, where there is a significant difference in average expected customer lifetimes between Members (and therefore in the revenues and profits they will generate) depending on whether they are an owner-occupier, and on the number of services we are providing to them. The most attractive category are owner-occupiers taking our 'Double Gold' bundle.

Our focus and success in attracting this type of Member has been reflected in the consistently high proportion of new Members gathered by Partners who switch all their services to us (landline, broadband, mobile, electricity and/or gas) as can be seen from the following figures:

PERCENTAGE OF NEW MEMBERS TAKING 'DOUBLE GOLD' BUNDLE

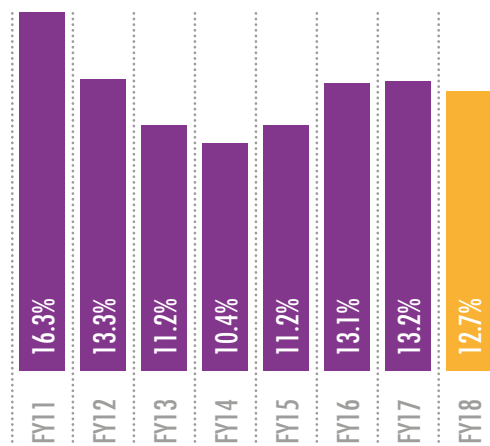


CHIEF EXECUTIVE’S REVIEW
CONTINUED

It is extremely encouraging that since the year-end, this proportion has further increased to a record level of over 56%, taking the proportion of our total membership base who are taking all our services to over 23.5% at the end of May.

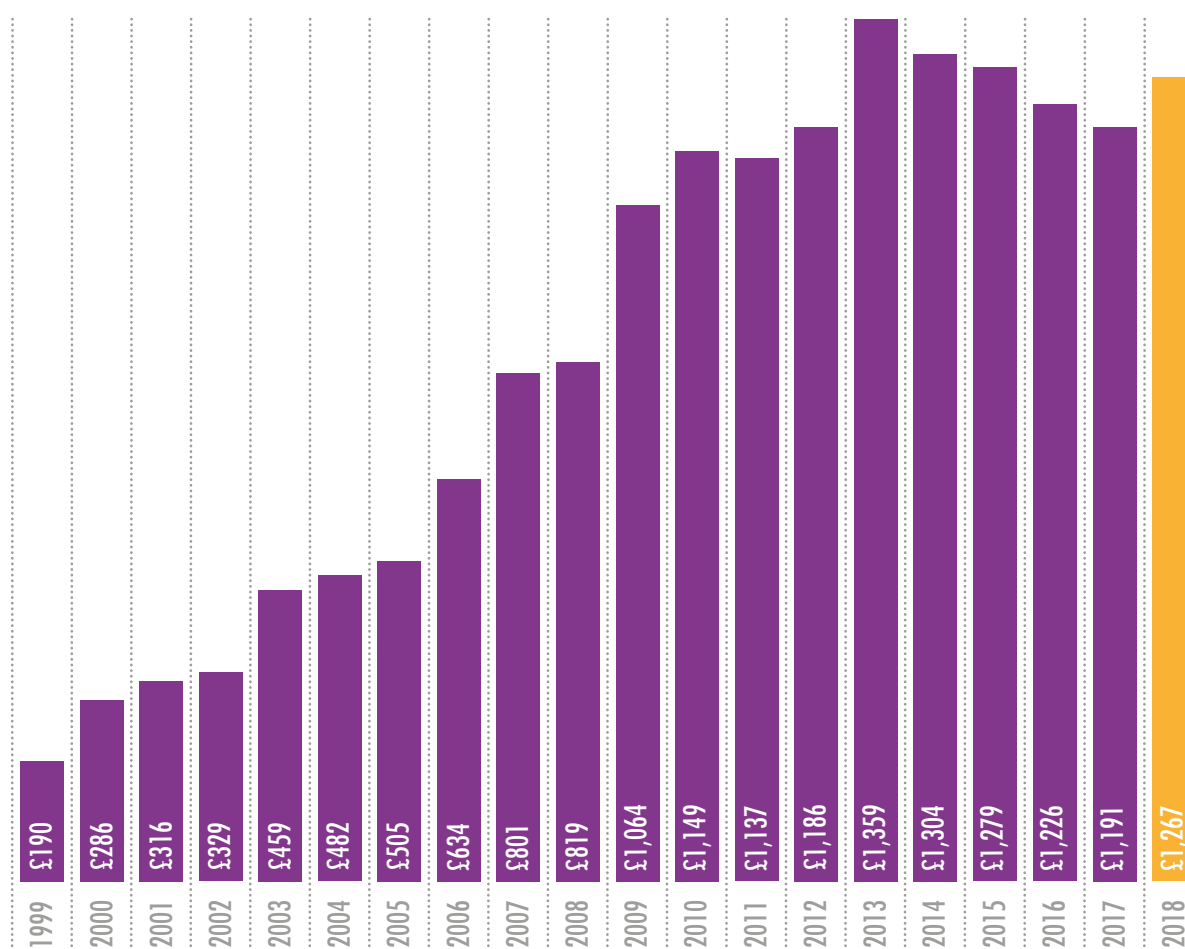
We were encouraged to see our energy supply point churn fall marginally to around 1.1% per month, against a background of record levels of switching within the energy industry generally, and the continuing large gap between the introductory fixed price deals available from other suppliers and the range of tariffs we offer:

OUR ENERGY SUPPLY POINT CHURN



Average revenue per Member increased due to a combination of rising energy prices and the benefit from the higher penetration of communications services (particularly mobile) within our membership:

AVERAGE REVENUE PER MEMBER



(These revenue figures relate solely to our Customer Management operating segment, the figures for 2008 to 2014 inclusive are restated as detailed in the 2015 Annual Report)

CHIEF EXECUTIVE'S REVIEW

CONTINUED

Services

The full range of services we offer includes landline telephony (calls and line rental), broadband, mobile, gas, electricity, home insurance, and our CashBack card. At the year end, we supplied a total of 2,340,719 services to Club Members (2017: 2,288,918), an increase of 2.3% during the year.

SERVICES	2018	2017
Electricity	555,721	551,622
Gas	449,810	446,394
Fixed Telephony (calls and NGN)	321,494	320,269
Fixed Telephony (line rental)	307,742	303,787
Broadband	283,518	276,721
Mobile	221,716	201,372
CashBack card	195,960	188,753
Home Insurance	4,758	-
TOTAL	2,340,719	2,288,918
Residential Club	2,261,680	2,205,462
Business Club	79,039	83,456
TOTAL CLUB	2,340,719	2,288,918

All the services grew during the year, with the strongest performer being a 10% rise in mobile numbers. This reflects our strategic decision to place mobile at the heart of our retail proposition, progressively improving its competitive position as we obtain better wholesale terms ourselves from EE; enhancements over the last 18 months have included the introduction of 4G data, launching new tariffs with significantly larger data allowances, much lower global roaming rates, and reductions to our out-of-bundle charges. And from 1st July, we're adding Switzerland to our list of 'roam-like-home' destinations.

CashBack

Our exclusive CashBack card has proven an attractive and important Member acquisition and retention tool, and is one of the key factors behind our continuing organic growth and low churn against a challenging market background.

It has historically given 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 an automatic credit on their next monthly bill from us. Since launching the programme, the total value of CashBack funded by participating retailers and credited to Members now exceeds £38m (2017: £33m).

We believe the continuing strong demand for this card clearly demonstrates the attractiveness of this unique membership benefit, and contributes towards our consistently high levels of customer retention.

To broaden its appeal, we announced at our sales conference in March 2018 that we would shortly be launching an enhanced CashBack card, which provides 1% CashBack on everyday household shopping at non-participating retailers (on up to £1,000 of retail spend each month) in addition to the 3%-7% at participating retailers. Since this announcement, the proportion of new members signed up by Partners who request a CashBack card has increased.

Historically, the CashBack that we pay to our Members each month has been funded entirely by the participating retailers, with many Members achieving a reduction of 20% to 30% on the net cost of their utilities simply by using their CashBack card (instead of an alternative payment card) for most of their regular household shopping. Where customers are using our enhanced new card, the 1% CashBack on their general household spend will largely be funded by us, but the cost of this is expected to be largely offset by the combination of the £2 monthly fee, an increase in the number of new Members, and lower churn.

As well as any savings from using their CashBack cards, many Members also use our online shopping portal to reduce their bills; this generated around £0.5m of additional CashBack for our Members over the course of last year.

Member Service and Support

We pride ourselves on delivering first-class service to our Members through a single support centre based in the UK, and ensuring where possible that the first person a Member speaks to is able to resolve any issues they may have with their multi-utility account.

We are clearly focussed on improving the service experience we deliver to our Members, willingly investing in technology designed to achieve this objective, and continually assessing the numerous qualitative and quantitative performance measurement tools that we employ to monitor all aspects of our Members' interactions with us to improve the overall quality of their experience.

We have been delighted at the consistently high ratings, awards and recognition we receive from Moneywise and *Which?* for the quality of the service and support provided to our Members, and the overwhelmingly positive feedback we receive from Members in our own surveys.

We were particularly proud to be recognised as the UK's Best Utilities Provider at the *Which?* 2018 Awards a few weeks ago, a massive endorsement of our commitment to looking after our customers, and treating them as we would wish to be treated ourselves, from the UK's leading independent consumer champion.

Partners

Our Partners are one of the key strengths of our business. In contrast to the routes to market adopted by other suppliers of similar household services, the alignment of financial interest provided by our revenue-sharing model and the structure of our compensation plan, incentivise them to focus their activities on finding creditworthy higher-spending Members 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 both inadvertent and extremely rare.

Our Partners are also extremely effective at targeting high quality customers who would not otherwise be engaged in the market, and in communicating the savings, simplicity and service provided by our unique integrated multi-utility proposition (together with all the other benefits of being part of our discount club) to prospective new Members.

CHIEF EXECUTIVE'S REVIEW

CONTINUED

We provide a variety of training and personal development courses, both online and classroom-based, designed to provide them with the skills and knowledge they need to gather Members and recruit other Partners effectively and successfully. In addition, we offer a low-cost hire purchase scheme which gives Partners access to a Tablet so they can present the benefits of our unique Discount Club more effectively.

For any Partner who wants to spend a substantial amount of time developing their Utility Warehouse business, we operate a Quick Income Plan; this gives them the opportunity to accelerate some of their residual income and thus potentially replace their previous main source of income. This recent initiative has been well received, and is transforming the way increasing numbers of potential new recruits are looking at this opportunity.

Our Car Plan, which provides eligible Partners with the opportunity to purchase a Utility Warehouse branded BMW Mini (or in some cases a BMW X5), remains extremely popular, as demonstrated by the delivery of our 1000th Mini (2017: c.900) a few weeks ago. Owners inform us that they find these helpful in raising their local profile, resulting in enquiries from both potential new Members and Partners.

Smart Meter roll-out

By the end of the financial year our rollout programme has resulted in an installed base of over 207,000 smart meters, representing 21.6% of our domestic energy customer portfolio; whilst less than we were forecasting due to the ongoing failure of our MOP partners to meet their agreed targets, the proportion of our base who now have a smart meter is now slightly ahead of the average for the industry as a whole.

The transition from first generation SMETS1 smart meters to second generation SMETS2 smart meters has repeatedly been pushed back, and is now scheduled to start sometime this winter; considerable scepticism exists within the industry on the achievability of this new target.

In addition to much-debated efficiency benefits, smart meters have the potential to materially improve the relationship between customers and energy suppliers. We remain broadly supportive of the nationwide smart meter programme, albeit we are concerned over the significant additional costs that are being incurred as a result of an ill-conceived and sub-optimum rollout strategy combined with unrealistic deadlines – a cost that will ultimately be met by consumers.

IT Systems

The journey we embarked on in 2016 to start reviewing the systems and processes which have evolved over the course of the last 20 years, and to prepare for the introduction of new services, is gathering steam. And while this is creating significant additional costs in the short term, with benefits that may take many years to arrive, I am confident that making this investment is the right decision for the business.

In the meantime, our operating costs remain lower than those of any of our peers on a like-for-like basis, and we look forward to the operating efficiencies and performance improvements which our new systems are expected to deliver in due course.

Andrew Lindsay MBE

Chief Executive Officer

18 June 2018

FINANCIAL REVIEW

OVERVIEW OF RESULTS

Continuing operations	ADJUSTED ¹			STATUTORY		
	2018	2017	CHANGE	2018	2017	CHANGE
Revenue	£792.9m	£740.3m	7.1%	£792.9m	£740.3m	7.1%
Profit before tax	£54.3m	£53.3m	1.8%	£41.0m	£40.9m	0.3%
Basic EPS	55.1p	53.3p	3.4%	38.8p	38.0p	2.1%
Dividend per share	50.0p	48.0p	4.2%	50.0p	48.0p	4.2%

¹As a result of the relative size and historical volatility of share incentive scheme charges of £2.0m (2017: £1.2m), these have been excluded from adjusted profit before tax and adjusted basic EPS. In view of the size and nature of the charge as a non-cash item, the amortisation of the intangible asset of £11.2m (2017: £11.2m) arising on entering into the energy supply arrangements with npower in December 2013 has also been excluded from adjusted profit before tax and adjusted basic EPS. For ease of comparability, following the sale of the Group's 20% shareholding in Opus Energy Group Limited ('Opus') in February 2017 (resulting in Opus becoming a discontinued operation), the contribution from Opus and the £62.3m exceptional profit from its sale in 2017 have been excluded in the above table.

SUMMARY

Adjusted profit before tax increased by 1.8% to £54.3m¹ (2017 continuing operations: £53.3m) on higher revenues of £792.9m (2017: £740.3m). These profits included a £1.2m recovery credited to cost of sales of Electricity Market Reform levy costs incurred in prior years under our energy supply contract (2017: £4.2m one-off recovery of costs incurred in prior years relating to the smart meter rollout programme, 70% credited to cost of sales and 30% to administrative expenses). The increase in revenue during the year has been principally driven by higher average energy prices and increased usage during a cold winter, partly offset by a reduction in average energy usage (reflecting the progressive impact of industry-wide energy efficiency measures over the last few years, enhanced by our successful LED light bulb replacement service). The improvement in adjusted pre-tax profits (continuing operations) mainly reflects the modest organic growth over the last three years in the number of services we are providing to our Members and improved terms from certain key suppliers, partially offset by increased investment in staff headcount and higher IT costs.

Within our Customer Acquisition operating segment, losses remained broadly stable at £18.0m (2017: £18.3m), consistent with a broadly similar number of new Members joining during the year.

Distribution expenses increased to £21.9m (2017: £21.1m), mainly reflecting an increase in commissions paid to Partners on the larger number of services being provided to our membership base compared to the previous year.

Administrative expenses increased during the year by £8.0m to £63.2m (2017: £55.2m) mainly as a result of continued investment in growing staff headcount to sustain our current high standards of customer service as the business grows (particularly in relation to the smart meter roll out) and higher IT costs.

Adjusted earnings per share (continuing operations) increased by 3.4% to 55.1p (2017: 53.3p), statutory EPS (continuing operations) 38.8p (2017: 38.0p). The increase in adjusted EPS reflects higher profits, the lower number of shares in issue following the tender offer in July 2017 and the lower corporation tax rate this year. In accordance with previous guidance and our strong cash position, the Board is proposing to pay a final dividend of 26p (2017: 25p) per share, making a total dividend of 50p (2017: 48p) per share for the year.

FINANCIAL REVIEW

CONTINUED

MARGINS

Our overall gross margin for the year was 17.6% (2017: 17.6%) mainly reflecting the improved terms from our key suppliers, offset by a lower recovery of previously incurred costs relative to the prior year.

CUSTOMER MANAGEMENT

We delivered further (albeit modest) growth in the number of services we are supplying, with an increase of 52,000 services during the course of the year, taking the total number of services provided within our Discount Club to over 2.3 million.

We continue to focus on making it easier for Partners to gather new Members by simplifying our processes, improving membership benefits, making our prices more competitive, and improving the quality of service and support we provide to our membership base. As a result, all our core services have continued to see organic growth in a challenging competitive environment.

Revenues increased due to higher energy prices and usage through a cold winter, partly offset by a reduction in average underlying energy usage, with growing revenues in all other service areas following increases in the number of services being provided and changes to our pricing structures:

£m	2018	2017
Electricity	337.5	310.4
Gas	280.3	265.8
Landline and Broadband	114.0	106.7
Mobile	30.8	27.5
Other	13.5	12.4
TOTAL	776.1	722.8

CUSTOMER ACQUISITION

Our Customer Acquisition operating segment loss remained broadly flat during the year at £18.0m (2017: £18.3m), reflecting the modest growth in the number of new members joining our discount club during the year.

DISTRIBUTION AND ADMINISTRATIVE EXPENSES

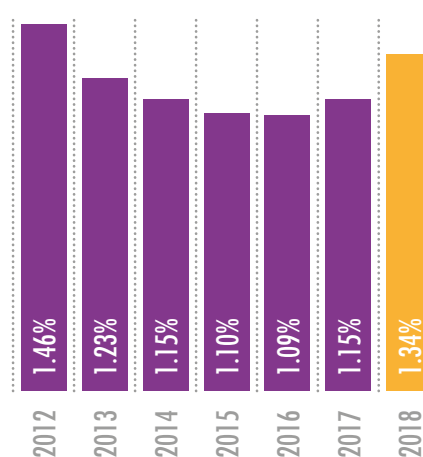
Distribution expenses include the share of our revenues that we pay as commission to Partners, together with other direct costs associated with gathering new Members which are included as part of the Customer Acquisition Segment result for the year. These rose to £21.9m (2017: £21.1m), reflecting increases in Partner commission resulting from the industry wide electricity price increases in spring 2017, and growth in the number of services we are providing.

Within administrative expenses, the bad debt charge for the year remained broadly flat at 1.1% of revenues (2017: 1.1%), rising in absolute terms to £8.8m (2017: £7.8m), mainly reflecting higher energy prices.

The number of prepayment meters we installed during the year, many of which were provided at the Member's own request, fell to 4,556 (2017: 5,357), partly due to delays in fitting prepayment meters following service level issues with one of our meter operators ('MOPs') in the first half of the year as previously

highlighted. At the end of the year we had an installed base of 71,796 (2017: 69,828) prepayment meters, representing approximately 7.1% of the energy services we supply; this remains significantly below the average level of prepayment meters within the industry of around 16% (source: CMA).

DELINQUENT MEMBERS



Delinquency (the proportion of Members who have at least two energy bills outstanding) has increased to 1.34% (2017: 1.15%). This is largely due to delays in fitting prepayment meters during the second half of the prior year resulting from operational challenges with our MOPs.

The average number of employees increased from 1,049 to 1,177. This reflects our ongoing commitment to deliver the best possible experience to our Members (a rising proportion of whom are taking multiple services from us) and a significant ongoing investment in strengthening both our IT resources and our management structure. Personnel expenses (excluding the non-cash accounting cost of share incentive schemes) increased by 16.6% during the year to £41.1m (2017: £35.3m).

During the year, administrative expenses were also impacted by £2.2m in respect of the non-recovery of customer debts relating to VAT and CCL liabilities, which were mostly offset by other one-off credits. Overall, administrative expenses increased during the year by £8.0m to £63.2m (2017: £55.2m) mainly as a result of higher staff costs and increased investment in IT, together with higher regulatory costs (including GDPR preparation), and including the impact from the recovery of previously incurred smart meter rollout costs in the prior year mentioned above.

CASH, CAPITAL EXPENDITURE, WORKING CAPITAL AND BORROWINGS

We ended the period with a net debt position of £11.2m (2017: £18.7m net cash), mainly reflecting the £25m tender offer made to shareholders in July 2017 following the sale of Opus; the Group's Net Debt/EBITDA ratio remains low at around 0.2x.

As expected, our net working capital position showed a year on year cash outflow of £11.7m primarily due to timing differences related to our energy purchasing arrangements with npower, the Quick Income Plan we launched for Partners earlier in the year, and the ramp-up in the smart meter roll-out programme. Capital expenditure of £3.8m (2017: £5.5m) related primarily to our continuing IT development programme.

FINANCIAL REVIEW

CONTINUED

Under the terms of our energy supply arrangements, the npower billing profile to the Group broadly equates to our customer billing profile and this limits our need for working capital.

DIVIDEND AND SHARE BUY-BACK

The final dividend of 26p per share (2017: 25p) will be paid on 3 August 2018 to shareholders on the register at the close of business on 13 July 2018 and is subject to approval by shareholders at the Company's Annual General Meeting which will be held on 26 July 2018. This makes a total dividend payable for the year of 50p (2017: 48p), an increase of 4.2% compared with the previous year.

We believe our strong underlying cash flow, rising adjusted earnings and strong credit profile will enable us to refinance any remaining borrowings as they fall due, whilst maintaining a progressive dividend policy. In the light of the steadily improving quality of our membership base and the good visibility it provides over future revenues and margins, we expect to increase our dividend to not less than 52p per share for the current year. Our intention going forward remains to bring our dividend pay-out ratio back to around 85% of adjusted EPS over the medium term, whilst maintaining our long-standing progressive dividend policy.

In our interim management report we announced our intention to use any retained profits from this and any future financial periods to buy back shares in the market, to prevent the level of excess capital on our balance sheet continuing to increase. We will therefore shortly be buying back shares with an aggregate value of £4.7m.

SHARE INCENTIVE SCHEME CHARGES

Operating profit is stated after share incentive scheme charges of £2.0m (2017: £1.2m). These relate to an accounting charge under IFRS 2 Share Based Payments ('IFRS 2') and the increase reflects the issue of growth shares made during the year under the new LTIP 2016.

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

TAXATION

A full analysis of the taxation charge for the year is set out in note 4 to the financial statements. The tax charge for the year is £10.5m (2017: £10.4m).

The effective tax rate for the year was 25.6% (2017: 25.5% excluding the sale of our 20% shareholding in Opus at a profit of £62.3m; no tax was paid on this, as it was eligible for the substantial shareholding exemption).

Nick Schoenfeld
Chief Financial Officer
18 June 2018

PRINCIPAL RISKS AND UNCERTAINTIES

BACKGROUND

The Group faces various risk factors, both internal and external, which could have a material impact on long-term performance. However, the Group's underlying business model is considered relatively low-risk, with no need for management to take any disproportionate risks in order to preserve or generate shareholder value.

The Group continues to develop and operate a consistent and systematic risk management process, which involves risk ranking, prioritisation and subsequent evaluation, with a view to ensuring all significant risks have been identified, prioritised and (where possible) eliminated, and that systems of control are in place to manage any remaining risks.

A formal document is prepared by the executive directors and senior management team on a regular basis detailing the key risks faced by the Group and the operational controls in place to mitigate those risks; this document is then reviewed by the Audit Committee. No new principal risks have been identified during the period, and save as set out below, nor has the magnitude of any risks previously identified significantly changed during the period.

BUSINESS MODEL

The principal risks outlined below should be viewed in the context of the Group's business model as a reseller of utility services (gas, electricity, fixed line telephony, mobile telephony, broadband and insurance services) under the Utility Warehouse and TML brands. As a reseller, the Group does not own any of the network infrastructure required to deliver these services to its membership base. This means that while the Group is heavily reliant on third party providers, it is insulated from all the direct risks associated with owning and/or operating such capital-intensive infrastructure itself.

The Group's services are promoted using 'word of mouth' by a large network of independent Partners, who are paid predominantly on a commission basis. This means that the Group has limited fixed costs associated with acquiring new Members.

The principal specific risks arising from the Group's business model, and the measures taken to mitigate those risks, are set out below.

REPUTATIONAL RISK

The Group's reputation amongst its Members, suppliers and Partners is believed to be fundamental to the future success of the Group. Failure to meet expectations in terms of the services provided by the Group, the way the Group does business or in the Group's financial performance could have a material negative impact on the Group's performance.

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

In relation to the service provided to its membership base, reputational risk is principally mitigated through the Group's recruitment processes, a focus on closely monitoring staff performance, including the use of direct feedback surveys from Members (Net Promoter Score), and through the provision of rigorous staff training.

PRINCIPAL RISKS AND UNCERTAINTIES

CONTINUED

Responsibility for maintaining effective relationships with suppliers and Partners rests primarily with the appropriate member of the Group's senior management team with responsibility for the relevant area. Any material changes to supplier agreements and Partner commission arrangements which could impact the Group's relationships are generally negotiated by the executive Directors and ultimately approved by the full Board.

INFORMATION TECHNOLOGY RISK

The Group is dependent on its proprietary billing and membership 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, motivated and experienced individuals. The Group relies on this software and any failure in its operation could negatively impact service to Members and potentially be damaging to the Group's brand.

All significant changes which are made to the billing and membership management software are tested as extensively as reasonably practicable before launch and are ultimately approved by the Chief Technology Officer and Billing departments in consultation with the Chief Executive as appropriate.

Back-ups of both the software and underlying billing and membership data are made on a regular basis and securely stored off-site. The Group also maintains a disaster recovery facility in a warm standby state in the event of a failure of the main system, designed to ensure that a near-seamless service to Members can be maintained.

The Group has full strategic control over the source code behind its billing and membership management system, thereby removing any risk of future software development not being able to meet the precise requirements of the Group.

DATA SECURITY RISK

The Group processes sensitive personal and commercial data during the course of its business. The Group looks to protect customer and corporate information and data and to keep its infrastructure secure. A significant breach of cyber security could result in the Group facing prosecution and fines, loss of commercially sensitive information, financial losses from fraud and theft, lost productivity from not being able to process orders and invoices, and unplanned costs to restore and improve the Group's security. This could damage the Group's brand and Partner confidence which might take an extended period of time to rebuild. Ultimately, individuals' welfare could be put at risk in the event that the Group was not able to provide services or personal data was misappropriated. The Group uses high specification firewalling, network segmentation, and multifaceted network and endpoint anti-viral mitigation systems; external consultants are also used to conduct penetration testing of the Group's internal and external IT infrastructure.

The Information Commissioner's Officer ('ICO') upholds information rights in the public interest and the Group is a data controller registered with the ICO. If the Group fails to comply with all the relevant legislation concerning information security it could be subject to enforcement action and significant fines.

LEGISLATIVE AND REGULATORY RISK

The Group is subject to varying laws and regulations, including possible adverse effects from European regulatory intervention. The energy and communications markets in the UK and Continental Europe are subject to comprehensive operating requirements as defined by the relevant sector regulators and/or government departments. Amendments to the regulatory regime could have an impact on the Group's ability to achieve its financial goals and any failure to comply may result in the Group being fined and lead to reputational damage which could impact the Group's brand. Furthermore, the Group is obliged to comply with retail supply procedures, amendments to which could have an impact on operating costs.

The Group is a licenced gas and electricity supplier, and therefore has a direct regulatory relationship with Ofgem. If the Group fails to comply with its licence obligations, it could be subject to fines or to the removal of its respective licences.

Proposed regulatory changes such as the imposition of retail energy price caps, the rapid rollout programme of smart energy meters (with the potential for additional costs if existing meters must be replaced prior to the end of their planned lives), and the replacement of existing environmental and social policies, could all have a potentially significant impact on the sector, and the net profit margins available to energy suppliers.

The Group is also a licenced supplier of telephony services and therefore has a direct regulatory relationship with Ofcom. If the Group fails to comply with its licence obligations, it could be subject to fines or to the removal of its licences.

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

In general, the majority of the Group's services are supplied into highly regulated markets, and this could restrict the operational flexibility of the Group's business. In order to mitigate this risk, the Group seeks to maintain appropriate relations with both Ofgem and Ofcom (the UK regulators for the energy and communications markets respectively), the Department for Business, Energy and Industrial Strategy ('BEIS'), and the FCA. The Group engages with officials from all these organisations on a periodic basis to ensure they are aware of the Group's views when they are consulting on proposed regulatory changes or if there are competition issues the Group needs to raise with them.

It should be noted that the regulatory environment for the various markets in which the Group operates is generally focussed on promoting competition; it therefore seems reasonable to expect that most potential changes will broadly be beneficial to the Group, given the Group's relatively small size compared to the former monopoly incumbents with whom it competes. However, these changes and their actual impact will always remain uncertain and could include, in extremis, the re-nationalisation of the energy supply industry.

Political and consumer concern over energy prices, vulnerable customers and fuel poverty may lead to further reviews of the energy market which could result in further consumer protection legislation being

PRINCIPAL RISKS AND UNCERTAINTIES

CONTINUED

introduced through energy supply licences with price controls for certain customer segments currently being proposed. In addition, political and regulatory developments affecting the energy and telecoms markets within which the Group operates may have a material adverse effect on the Group's business, results of operations and overall financial condition.

FINANCING RISK

The Group has debt service obligations which may place operating and financial restrictions on the Group. This debt could have adverse consequences insofar as it: (a) requires the Group to dedicate a proportion of its cash flows from operations to fund payments in respect of the debt, thereby reducing the flexibility of the Group to utilise its cash to invest in and/or grow the business; (b) increases the Group's vulnerability to adverse general economic and/or industry conditions; (c) may limit the Group's flexibility in planning for, or reacting to, changes in its business or the industry in which it operates; (d) may limit the Group's ability to raise additional debt in the long term; and (e) could restrict the Group from making larger strategic acquisitions or exploiting business opportunities.

Each of these prospective adverse consequences (or a combination of some or all of them) could result in the potential growth of the Group being at a slower rate than may otherwise be achieved.

FRAUD AND BAD DEBT RISK

The Group has a universal supply obligation in relation to the provision of energy to domestic customers. This means that although the Group is entitled to request a reasonable deposit from potential new Members who are not considered creditworthy, the Group is obliged to supply domestic energy to everyone who submits a properly completed application form. Where Members subsequently fail to pay for the energy they have used ('Delinquent Members'), there is likely to be a considerable delay before the Group is able to control its exposure to future bad debt from them by either switching their smart meters to pre-payment mode, installing a pre-payment meter or disconnecting their supply, and the costs associated with preventing such Delinquent Members from increasing their indebtedness are not always fully recovered.

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

More generally, the Group is also exposed to payment card fraud, where Members use stolen cards to obtain credit (e.g. on their CashBack card) or goods (e.g. Smartphones and Tablets) from the Group; the Group regularly reviews and refines its fraud protection systems to reduce its potential exposure to such risks.

WHOLESALE PRICES RISK

The Group does not own or operate any utility network infrastructure itself, choosing instead to purchase the capacity needed from third parties. The advantage of this approach is that the Group is largely protected from technological risk, capacity risk or the risk of obsolescence, as it can purchase the amount of each service required to meet its Members' needs.

Whilst there is a theoretical risk that in some of the areas in which the Group operates it may be unable to secure access to the necessary infrastructure on commercially attractive terms, in practice the pricing of access to such infrastructure is typically either regulated (as in the energy market) or subject to significant competitive pressures (as in telephony and broadband). The profile of the Group's Members, the significant quantities of each service they consume in aggregate, and the Group's clearly differentiated route to market has historically proven attractive to infrastructure owners, who compete aggressively to secure a share of the Group's growing business.

The supply of energy has different risks associated with it. The wholesale price can be extremely volatile, and Member demand can be subject to considerable short-term fluctuations depending on the weather. The Group has a long-standing supply relationship with npower under which the latter assumes the substantive risks and rewards of buying and hedging energy for the Group's Members, and where the price paid by the Group to cover commodity, balancing, transportation, distribution, agreed metering, regulatory and certain other associated supply costs is set by reference to the average of the standard variable tariffs charged by the 'Big 6' to their domestic customers less an agreed discount, which is set at the start of each quarter; this may not be competitive against the equivalent supply costs incurred by new and/or other independent suppliers. In addition, the timing of any quarterly price changes under the npower arrangement may not align with changes in retail prices, creating temporary short-term fluctuations in the underlying margins earned by the Group from supplying energy. However, if the Group did not have the benefit of this long-term supply agreement it would need to find alternative means of protecting itself from the pricing risk of securing access to the necessary energy on the open market and the costs of balancing.

COMPETITIVE RISK

The Group operates in highly competitive markets and significant service innovations or increased price competition could impact future profit margins. In order to maintain its competitive position, there is a consistent focus on ways of improving operational efficiency. New service innovations are monitored closely by senior management and the Group is generally able to respond within an acceptable timeframe by offering any new services using the infrastructure of its existing suppliers. The increasing proportion of Members who are benefiting from the genuinely unique multi-utility solution that is offered by the Group, and which is unavailable from any other known supplier, is considered likely to materially reduce any competitive threat.

The Directors anticipate that the Group will face continued competition in the future as new companies enter the market and alternative technologies and services become available. The Group's services and expertise may be rendered obsolete or uneconomic by technological advances or novel approaches developed by one or more of the Group's competitors. In the event that smaller independent energy suppliers were to experience financial difficulties as a result of increasing wholesale prices for instance, it is possible that customers could also have a loss of confidence in the Group, given that it is also an independent energy supplier. The existing approaches of the Group's competitors or new approaches or technologies developed by such competitors may be more effective or affordable than those available to the Group. There can be no assurance that the Group will be able to compete successfully with existing or potential competitors or that competitive factors will not have a material adverse effect on the Group's business, financial condition or results of operations. However, as the Group's membership base continues to rise, competition amongst suppliers of services to the Group is expected to increase. This has already been evidenced by various volume-related growth incentives which have been agreed with some of the Group's largest wholesale suppliers. This should also ensure that the Group has direct access to new technologies and services available to the market.

PRINCIPAL RISKS AND UNCERTAINTIES

CONTINUED

INFRASTRUCTURE RISK

The provision of services to the Group's Members is reliant on the efficient operation of third party physical infrastructure. There is a risk of disruption to the supply of services to Members through any failure in the infrastructure e.g. gas shortages, power cuts or damage to communications networks. However, as the infrastructure is generally shared with other suppliers, any material disruption to the supply of services is likely to impact a large part of the market as a whole and it is unlikely that the Group would be disproportionately affected. In the event of any prolonged disruption isolated to the Group's principal supplier within a particular market, services required by Members could in due course be sourced from another provider.

The development of localised energy generation and distribution technology may lead to increased peer to peer energy trading, thereby reducing the volume of energy provided by nationwide suppliers. As a nationwide retail supplier, the Group's results from the sale of energy could therefore be adversely affected.

Similarly, the construction of 'local monopoly' fibre telephony networks to which the Group's access may be limited as a reseller could restrict the Group's ability to compete effectively for customers in certain areas.

SMART METER ROLLOUT RISK

The Group is reliant on third party meter operators to deliver its smart meter rollout programme effectively. In the event that the Group suffers delays to its smart meter rollout programme the Group may be in breach of its regulatory obligations and therefore become subject to fines from Ofgem. In order to mitigate this risk the Group regularly monitors the performance of third party meter operators and addresses any issues as they arise.

The Group may also be indirectly exposed to reputational damage and litigation from the risk of technical complications arising from the installation of smart meters or other acts or omissions of third party meter operators, e.g. the escape of gas in a Member's property causing injury or death. The Group mitigates this risk through using reputable third party meter operators.

ENERGY INDUSTRY ESTIMATION RISK

A significant degree of judgement and estimation is required in order to determine the actual level of energy used by Members and hence that should be recognised by the Group as sales. There is an inherent risk that the estimation routines used by the Group do not in all instances fully reflect the actual usage of Members. However, this risk is mitigated by the relatively high proportion of Members who provide meter readings on a periodic basis, and the rapid anticipated growth in the installed base of smart meters resulting from the national rollout programme.

GAS LEAKAGE WITHIN THE NATIONAL GAS DISTRIBUTION NETWORK

The operational management of the national gas distribution network is outside the control of the Group, and in common with all other licensed domestic gas suppliers the Group is responsible for meeting its pro-rata share of the total leakage cost. There is a risk that the level of leakage in future could be higher than historically experienced, and above the level currently expected.

KEY MAN RISK

The Group is dependent on its key management for the successful development and operation of its business. In the event that any or all of the members of the key management team were to leave the business, it could have a material adverse effect on the Group's operations. The Group seeks to mitigate this risk through its remuneration policy which includes an attractive LTIP.

SINGLE SITE RISK

The Group operates from one principal site and, in the event of significant damage to that site through fire or other issues, the operations of the Group could be adversely affected. In order to mitigate, where possible, the impact of this risk the Group has in place appropriate disaster recovery arrangements.

ACQUISITION RISK

The Group may invest in other businesses, taking a minority, majority or 100% equity shareholding, or through a joint venture partnership. Such investments may not deliver the anticipated returns, and may require additional funding in future. This risk is mitigated through conducting appropriate pre-acquisition due diligence where relevant.

PEOPLE AND ORGANISATION

EMPLOYEES

We depend on the input of around 1,250 employees to maintain relationships with our Members and Partners, as well as consistently delivering high quality service at all times.

We put a lot of effort into recruiting new employees, ensuring that we recruit, train and retain people who have the appropriate skills, and the correct attitude. We continue to recruit new employees through our own Assessment Centre, which was developed to ensure that we have full control over recruitment, and to ensure that we identify the very best candidates for our available positions.

After joining the Company, all new starters attend a structured training process, making sure they are fully prepared to deliver the high standards of customer service we expect, and to assist with any queries that our member or Partner base may have. After successful completion of this programme, a quarterly academy graduation ceremony is held to celebrate the attendee's achievement, where they are presented with a bottle of champagne and a certificate by the Chief Executive.

In 2016, we introduced our own Technical Advisor Apprenticeships. This proved to be a very successful venture. In 2018, we won second place in the "Advanced Level 3 Apprenticeship Employer of the Year – Over 150 Employees" category. The apprenticeship programme plays a vital role in supporting our demands in technology recruitment.

We conduct employee satisfaction surveys annually, which play an important part in allowing the business to understand what changes we need to make to keep our employees engaged, allowing the opportunity to submit anonymous feedback and have their voices heard. Following feedback from our 2017 survey, we made the decision to increase employee holiday entitlement depending on their length of service. Employees who have been employed for over three years will receive an extra two days annual leave, and those who have worked for over five years will receive an extra three days annual leave. This change was made to both reward our longest serving members of staff, and improve retention amongst those who have joined more recently who can work towards the increase in holiday entitlement.

In addition to our employee satisfaction survey, we hold quarterly breakfast meetings for employees with the Chief Executive and a separate meeting with our Technology team, where they can submit questions about any subject to be addressed during the meeting. This is an important function to ensure employees feel we value and listen to them, and bridges the gap between employees and senior management.

Where possible, we engage with our staff regarding any significant changes that may occur which could have an impact on them directly or the Company more generally. We currently maintain a company intranet ("Babble"), where important company updates are shared. It also allows employees to start up their own groups. Amongst others, we have a Guitar Club, a Film Club, and an Art Club, all managed by employees, for employees. We also keep employees engaged with changes through company emails, posters and wallboards.

In 2018, we launched a new company magazine, "YOUW", which is distributed monthly, and was designed to give all employees the opportunity to share achievements and celebrate those of colleagues.

We designed our head office building with consideration towards our employees. We have state of the art facilities available for all staff. We boast an auditorium, a games room equipped with pool and table tennis

tables, relaxation pods, showers, and a subsidised staff restaurant offering a wide range of foods. Alongside this, we provide monthly visits from a nurse who offers free health checks for all employees. We have also held fun events to reward our staff, such as our 20th Anniversary Party and Christmas Party Grotto.

The Company has a strong 'promote from within' culture, and we offer a variety of opportunities for employees to develop their skills and therefore progress within the Company. All employees are able to host a 'What's on Wednesday' or 'WOW' session, which involves a fifteen-minute talk in front of around 100 other members of staff, helping to develop confidence, and giving them exposure to a cross-departmental audience typically including members of the senior management team. We also have various training programmes tailored to support with skills growth, including human development training (focusing on softer skills), and a new management training pilot scheme.

We encourage an active staff social committee, with people from all areas of the business. Employees are given the opportunity to organise monthly 'Team Hosted Nights' on behalf of their department, as well as team bonding activities using their 'Fun Fund'.

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 ten 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 (e.g. promotion).

The Company also operates a Save As You Earn (SAYE) share scheme under which employees are offered the opportunity to participate in the future growth of the Company through share option arrangements.

As at 31 March 2018 there were outstanding options over 1,884,948 shares which had been granted to employees, representing approximately 2.4% 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 Aviva. Participants can choose their own contribution level, which is matched by the Company within certain limits, depending on length of service. As a result of pension auto-enrolment the Company is contributing to the pension funds of virtually all employees, on a monthly basis.

We actively facilitate 'Access to Work' grants for employees who have a disability, health or mental health condition providing the practical support to enable them to continue working effectively.

PEOPLE AND ORGANISATION

CONTINUED

DIVERSITY

Full and fair consideration is given to opportunities for employment, training, career progression and promotion 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.

The table below sets out a breakdown of the gender diversity at various levels within the organisation:

	2018		2017	
	MALE	FEMALE	MALE	FEMALE
Board	6	1	6	1
Senior Managers	14	4	13	4
Employees	743	488	641	401

The Board's position in relation to the Code requirement to set out any existing measurable objectives in relation to Board diversity is set out in the Corporate Governance Statement on pages 41 and 42.

On 28 March 2018, the Company published its Gender Pay Gap report in accordance with the requirements of The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017; a copy is available at: www.utilitywarehouse.co.uk/legal/genderPayGapReport.

Whilst we are confident that men and women are paid equally for doing equivalent jobs across the Company, the results of the gender pay report showed that we have a gap in average earnings; the main reason for this is that we currently have fewer women in senior roles.

We pride ourselves on being an inclusive and diverse company that aspires to an equal and balanced workplace. We are supportive of the decision to make these results available to all, and we are committed to addressing this gap in the context of our firm belief in hiring the right person for the job, no matter what.

We have recently appointed a new People & Culture Director, who will continue running internal focus sessions to discuss how we can create a culture of inclusion at all levels.

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 Members on how they can reduce their energy usage; we enable qualifying Members to access free home insulation; we actively promote Feed-In Tariffs; and we encourage Members to monitor their energy usage by providing regular meter readings. We also provide certain Members with free LED light bulbs which reduces the amount of electricity they consume.

Since moving to an online Member application process, we have increasingly reduced the amount of printed marketing materials we are using, and seen a significant increase in the proportion of new Members choosing not to receive a paper bill each month.

We participate in a waste paper recycling programme, with a certificated saving of 259 trees and 47,540kg of CO₂ during the year (2017: 235 trees and 43,710kg of CO₂); we also recycle all of our cardboard, and use only fsc-certified paper. We recycle both mobile phones and toner cartridges.

GREENHOUSE GAS EMISSIONS STATEMENT

The greenhouse gas ('GHG') emissions statement below provides a summary of the Group's greenhouse gas (carbon) emissions from 1 April 2017 to 31 March 2018. It gives a summary of emissions from fuel combustion and the operation of our facilities (which include our offices and company cars, scope 1), and from our purchased electricity use during the year (scope 2).

We have adopted the operational control approach, as defined in the Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard (Revised Edition) 2004, therefore emissions associated with our Members' energy usage, the activities of our Partners and the supply of energy from npower are not included in this statement as they are outside the Group's operational control.

Global GHG emissions

	TOTAL EMISSIONS (TONNES CO ₂ e)	
	2017-2018	2016-2017*
Emissions from combustion of fuel (scope 1)	337.4	337.1
Emissions from electricity, heat, steam and cooling purchased for own use (scope 2)	2,165.5	2,216.3
Total emissions	2,502.9	2,553.4
Intensity: Emissions per full time employee (FTE)	2.14 tCO ₂ e/FTE	2.62 tCO ₂ e/FTE

* The emissions figures in the above table for 2016-17 have been re-based to include the Group's Daffodil van fleet to allow for a like-for-like comparison with 2017-18. This accounts for the difference in the 2016-17 reported footprint between the 2016-17 and 2017-18 reports.

Methodology

We have reported on all the emissions sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our own business activities over which we have operational control.

CORPORATE RESPONSIBILITY

CONTINUED

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered from our own operations, and emissions factors from UK Government's Conversion Factors for Company Reporting 2016.

SOCIAL ENGAGEMENT

During the year, our Staff, Members and Partners were active in raising funds for our Charity Partner Macmillan Cancer Support. In addition, at a more local level, we have supported our neighbourhood by helping our local food bank, the Colindale Foodbank.

HUMAN RIGHTS

This report does not contain information about any policies of the Group in relation to human rights issues as it is not considered relevant to understanding the impact, development, performance or position of the Group's business.

MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT

The Board has approved a Modern Slavery Act Transparency Statement in compliance with section 54 of the Modern Slavery Act 2015, which is available to view on the Company's website here: www.utilitywarehouse.co.uk/legal/modernSlaveryStatement

ANTI-BRIBERY AND CORRUPTION POLICY

The Group supplies a range of utility services in highly regulated markets sourcing the vast majority of its supplies from large UK-based regulated organisations such as npower Limited (owned by Innogy and ultimately RWE AG) for energy services (gas and electricity), TalkTalk Telecom Group PLC for fixed telephony services and BT Group PLC for mobile telephony services. Overall the risk of employees within the Group knowingly breaching bribery and corruption legislation is therefore considered low. Nonetheless, the Group operates an anti-bribery and corruption policy which is communicated to all staff and compliance with which is ultimately the responsibility of the Board.

STRATEGIC REPORT APPROVAL

The Strategic Report, set out on pages 1 to 36, which incorporates the Financial and Operating Highlights, the Chairman's Statement, the Chief Executive's Review, the Financial Review, Principal Risks and Uncertainties, People and Organisation and Corporate Responsibility, has been duly approved by the Board.

By order of the Board
David Baxter
Company Secretary
18 June 2018

BOARD OF DIRECTORS



THE HON. CHARLES WIGODER, EXECUTIVE CHAIRMAN

Charles, aged 58, 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 58, 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. Julian joined the Company in May 2010 as an independent non-executive director and, as determined by the Board, meets the test of independence under section B.1.1 of the UK Corporate Governance Code.



ANDREW LINDSAY MBE, CHIEF EXECUTIVE OFFICER

Andrew, aged 41, 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.

BOARD OF DIRECTORS

CONTINUED



NICK SCHOENFELD, CHIEF FINANCIAL OFFICER

Nick, aged 47, joined the Company in January 2015 as Chief Financial Officer. Since 2006, Nick was Group Finance Director of Hanover Acceptances, a substantial diversified private company with holdings in the food manufacturing, real estate, and agribusiness sectors. He was previously employed at Kingfisher plc, where he was responsible for the group's financial planning and analysis functions. Prior to this, he held senior strategic and development roles within Castorama and the Walt Disney Company, having started his career as a management consultant at the Boston Consulting Group. Nick also has an MBA from the Harvard Business School.



ANDREW BLOWERS OBE, NON-EXECUTIVE DIRECTOR

Andrew, aged 57, is the Senior Independent Director of AA PLC, the UK's leading provider of roadside assistance and Chairman of AAIUCL, the AA's Gibraltar Insurer. He is also Chairman of CETA Insurance Limited a specialist online insurance provider. His career spans over 25 years in the UK financial services industry. He was the founder and CEO of Swiftcover.com and Chairman of IIC NV from 2004 to 2009 and an executive director of Churchill Insurance before this. Andrew joined the Company in November 2016 as an independent non-executive director and meets the test of independence under section B.1.1 of the UK Corporate Governance Code.



BEATRICE HOLLOND, NON-EXECUTIVE DIRECTOR

Beatrice, aged 57, is a member of the Board of Brown Advisory, a non-executive director of M&G Limited, a non-executive director at Templeton Emerging Markets Investment Trust, Chairman at Millbank Investment Managers, Chairman at Keystone Investment Trust and non-executive director and Chairman of the Audit Committee at Henderson Smaller Companies Investment Trust. She spent 16 years at Credit Suisse Asset Management in Global Fixed Income and began her career as an equity analyst at Morgan Grenfell Asset Management. Beatrice joined the Company in September 2016 as an independent non-executive director and meets the test of independence under section B.1.1 of the UK Corporate Governance Code.



MELVIN LAWSON, NON-EXECUTIVE DIRECTOR

Melvin, aged 59, 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.

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 applied the main principles and complied with the provisions of the UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council in April 2016, save in the limited instances explained below. Copies of the Code are available at www.frc.org.uk.

This report, together with the Director's Report on pages 73 to 78 and the Directors' Remuneration Report on pages 50 to 72, provides details of how the Company has applied the principles and complied with the provisions of the Code and where required explains the rationale for instances where the Company has not been compliant, namely: (i) the external facilitation of a Board evaluation exercise; and (ii) the requirement for share awards to be phased rather than being granted in blocks. Further detail in relation to the Company's position regarding performance-related elements of remuneration is set out in the Directors' Remuneration Report.

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 agenda of matters to be discussed at each meeting, and with the detailed 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. Whilst 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. The non-executive directors attended such formal, externally facilitated courses as they considered relevant to their roles and responsibilities during the year.

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; and
- 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).

CORPORATE GOVERNANCE STATEMENT

CONTINUED

TABLE OF ATTENDANCE AT FORMAL MEETINGS DURING THE YEAR ENDED 31 MARCH 2018

NAME OF DIRECTOR	BOARD	REMUNERATION COMMITTEE	AUDIT COMMITTEE	NOMINATION COMMITTEE
<i>Number of meetings</i>	11	4	3	-
Charles Wigoder	11	-	-	-
Julian Schild	11	4	3	-
Andrew Lindsay	11	-	-	-
Nick Schoenfeld	11	-	-	-
Andrew Blowers	11	4	3	-
Beatrice Hollond	10	4	3	-
Melvin Lawson	11	-	-	-

In accordance with provision A.4.2 of the Code, the non-executive directors also met without the executives present during the year.

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. However, the directors considered the position in relation to the current year and concluded that an external evaluation was not necessary. In reaching this conclusion the directors were mindful of the effective operation of the Board during the year and the results of the internal Board evaluation exercise detailed below. The Board considers it unlikely that an external evaluation will be conducted in the medium term.

An 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. A review of the results, led by the Deputy Chairman and Company Secretary, principally covered the following areas: specific matters of concern arising from the questionnaires, directors' performances and any 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;
- the Board's consideration of diversity and succession planning; 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.

The evaluation concluded that overall the Board and its Committees had operated satisfactorily during the year, with all directors making an effective contribution to the Board commensurate with their experience and responsibilities.

Two areas received lower average scores in the questionnaire, which are being addressed by: (i) arranging for a presentation to be given to the Board on succession planning at senior management level; and (ii) ensuring that more detailed external stakeholder feedback, particularly from shareholders or analysts, will in future be distributed to the wider Board as soon as it becomes available.

BOARD BALANCE

The Board comprised three executive directors and four non-executive directors at the year end. Julian Schild acted as the Company's Deputy Chairman and Senior Independent 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	-	-	-
Nick Schoenfeld	-	-	-
Andrew Blowers*	Chairman	✓	-
Beatrice Hollond*	✓	✓	Chairman
Melvin Lawson	-	-	-

* indicates independent non-executive directors

As a result of his long service on the Board since appointment in late 2006, Melvin Lawson is no longer considered independent under the Code. Nonetheless, the Board considers that the independence of Mr Lawson has not been negatively impacted by his long service on the Board and that he continues to provide robust and constructive challenges to the executive directors on a regular basis by using his long-established knowledge of the Company.

BOARD DIVERSITY

The main objective of the Nomination Committee in considering the appointment of new directors to the Board remains to ensure that successful candidates are of the highest calibre and demonstrate the best

CORPORATE GOVERNANCE STATEMENT

CONTINUED

possible combination of skills and experience. 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.

The Code requires companies to set out any measurable objectives that exist in relation to board diversity. However, it remains the Committee's strong view that it is not appropriate to stipulate the characteristics of any future directors, including gender, ahead of a full assessment of the particular requirements of each role at the time a candidate is being sought. The Committee will continue to adhere to the principles set out above in identifying and recruiting the best candidates for any future Board roles 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 'People and Organisation' section of the Strategic Report on pages 32 to 34.

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 compliance with 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).

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. Acknowledging the Code requirement for a particularly rigorous review in circumstances where non-executive directors' terms are being extended beyond six years, the Board has determined that all directors submitted for re-election continue to make a valuable contribution to the commercial success of the Company, with each bringing a complementary range of skills to the team. In particular, and as referred to above, the Board has considered the long service of Melvin Lawson and has determined that he continues to provide an extremely valuable independent contribution to the Board as a result of his deep historic knowledge of the business and its operations.

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 Andrew Blowers (Chairman of the Committee), Julian Schild and Beatrice Hollond. The Directors' Remuneration Report, giving the details of the emoluments of each director, may be found on pages 50 to 72.

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, Julian Schild (Chairman of the Committee), Andrew Blowers and Beatrice Hollond in compliance with the Code (provision C.3.1). The activities of the Audit Committee are set out on pages 46 to 49.

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 Beatrice Hollond (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 45.

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 this is undertaken primarily by the Chief Executive and Chief Financial Officer. The Chief Executive provides feedback from major shareholders to the other directors, ensuring 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 Chief Financial Officer also have periodic discussions with the Company's brokers and any issues are fed back to the Board as appropriate. When reports are received from the Company's brokers following investor presentations, these are submitted to the Board for review. Additionally, key representatives of the Company's brokers are periodically invited to present at a full Board meeting.

CORPORATE GOVERNANCE STATEMENT

CONTINUED

Responsibility for communication with key shareholders in relation to corporate governance and Board remuneration matters lies primarily with the Deputy Chairman and the Chairman of the Remuneration Committee who are assisted in this regard by the Company Secretary. Individual invitations to engage with the Deputy Chairman and Chairman of the Remuneration Committee have previously been sent out to key shareholders and, where requested or considered necessary, certain matters have been discussed in more detail during the year.

ANNUAL GENERAL MEETING

Notice of the Annual General Meeting and related papers are sent to all shareholders at least 21 working days before the meeting. Separate resolutions are proposed for each matter including the adoption of the Report and Accounts, the approval of the Company's Remuneration Policy, the Directors' Remuneration Report and the appointment of the Group's external 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 normally 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. The principal risks faced by the Company and the measures taken to address these risks are set out in the Strategic Report on pages 25 to 31.

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 Company (including financial, operational and compliance controls and risk management) and the principal risks which the Company faces during the year. No material weaknesses in internal controls were identified during the year.

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 75 and 76.

By Order of the Board
David Baxter
Company Secretary
18 June 2018

NOMINATION COMMITTEE REPORT

INTRODUCTION

The members of the Nomination Committee ("the Committee") are Beatrice Hollond (Chairman), Julian Schild and Charles Wigoder, which means that the Committee retains a majority of independent non-executive directors in compliance with the UK Corporate Governance Code ("the 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.

THE COMMITTEE'S ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2018

Committee matters were discussed formally as part of certain full Board meetings.

The Committee's principal activity during the year related to considering the appropriateness of the composition of the Board given the Company's operations and medium-term strategic objectives, and succession planning for senior management, no changes to the Board were deemed necessary during the year. As highlighted in the Corporate Governance Statement, the Board evaluation process highlighted that the wider Board would benefit from greater visibility on succession planning at a senior management level at the Company. It was therefore agreed that a presentation be made to the Board on the matter in due course.

The Committee's position in relation to diversity and the Code requirement to set out any measurable objectives that exist in this regard is included in the Corporate Governance Statement on pages 41 and 42 of this document.

Beatrice Hollond

Chairman of the Nomination Committee

On behalf of the Board

18 June 2018

AUDIT COMMITTEE REPORT

INTRODUCTION

The members of the Audit Committee ("the Committee") include independent non-executive directors Julian Schild (Chairman), Beatrice Hollond and Andrew Blowers. In accordance with the UK Corporate Governance Code ("the Code") (provision C.3.1) the Committee comprises three independent non-executive directors. Julian Schild is also identified as having recent and relevant financial experience.

THE AUDIT COMMITTEE

Attendance at Committee meetings during the current year by Committee members is set out in the Corporate Governance Report on page 40 of this document. In accordance with best practice, the Committee has the opportunity 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 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. The review covers all material controls, including financial, operational and compliance controls.

THE COMMITTEE'S ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2018

The Committee's main activities during the year included a review of the financial statements involving a detailed evaluation of the significant accounting issues therein.

The actions taken by the Committee in regard to these issues are described in the table below.

ISSUE	ACTION TAKEN BY THE COMMITTEE
Operational accuracy of billing system	Review of internal analysis and external auditor procedures. Monitoring of regulator communications (Ofgem, BABT) and monthly monitoring of detailed call centre statistics which would indicate significant billing issues.
Revenue recognition in relation to energy services	Monitoring of key assumptions underlying the recognition of energy revenues based on internal analysis.
Valuation of parent Company investments	Review of key assumptions underlying the value of the parent Company investments.
Risk of management override of internal controls	Review of significant accounting estimates and judgements in relation mainly to receivables balances.

Also, in conjunction with the Company's external auditor, the Audit Committee has considered, amongst 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 additional projects or investigations have been required.

In accordance with the Code (provision C.3.6), the Audit Committee has also considered the need for an internal audit function at the Company. In the light of the simplicity of the Group structure, its single country focus, its relatively straightforward financial model, the internal controls in place and the fact that management and the Board conduct regular financial reviews, the Committee has recommended to the Board that an internal audit function is not currently appropriate for the business. This decision will be kept under regular review and where appropriate extended assurance will also be sought in specific areas of concern.

During the year the Audit Committee reviewed and approved the Company's half year and annual financial statements. The Committee has advised the Board that the annual report and accounts taken as a whole provide a fair, balanced and understandable picture of the Company's position and performance, business model and strategy. The Audit Committee has also been involved in discussions regarding the forthcoming implementation of IFRS 15: Revenue from contracts with customers, and the potential impact of the standard on the financial statements of the Company.

EXTERNAL AUDITOR EFFECTIVENESS

The Company's external auditor, KPMG, presented a detailed audit report to the Audit Committee following a review of the annual financial statements. Having regard to its review of the work performed by the external auditor during the year and its approach to key audit issues, the Audit Committee was satisfied with the effectiveness of KPMG as external auditor.

AUDIT COMMITTEE REPORT

CONTINUED

In reaching this conclusion, the Committee assessed:

- the efficiency with which the audit team was able to understand the Company and its systems and processes;
- the experience and expertise of the audit team;
- the scope and eventual fulfilment of the detailed audit plan;
- the robustness and perceptiveness of the audit team in their handling of key accounting and audit judgements; and
- the nature and quality of the content of the external auditor's report.

The Committee has therefore recommended to the Board, for approval by shareholders at the AGM, the reappointment of KPMG as the Company's external auditor for the coming year.

EXTERNAL AUDITOR INDEPENDENCE

In order to guard against the objectivity and independence of the external auditor being compromised, the provision of any significant additional services remains subject to the prior approval of the Audit Committee.

The Committee would normally be likely to prohibit the provision of the following types of non-audit related work by the Company's external auditor:

- tax services relating to: (i) preparation of tax forms; (ii) payroll tax; (iii) customs duties; (iv) identification of public subsidies and tax incentives unless support from the external auditor in respect of such services is required by law; (v) support regarding tax inspections by tax authorities unless support from the external auditor in respect of such inspections is required by law; (vi) calculation of direct and indirect tax and deferred tax; and (vii) provision of tax advice;
- services that involve playing any part in the management or decision-making of the Company;
- bookkeeping and preparing accounting records and financial statements;
- payroll services;
- designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems;
- valuation services, including valuations performed in connection with actuarial services or litigation support services;
- legal services, with respect to: (i) the provision of general counsel; (ii) negotiating on behalf of the Company; and (iii) acting in an advocacy role in the resolution of litigation;
- services linked to the financing, capital structure and allocation, and investment strategy of the Company, except providing assurance services in relation to the financial statements, such as the issuing of comfort letters in connection with prospectuses issued by the Company;

- promoting, dealing in, or underwriting shares in the Company; and
- human resources services, with respect to: (i) management in a position to exert significant influence over the preparation of the accounting records or financial statements which are the subject of the statutory audit, where such services involve: searching for or seeking out candidates for such position; or undertaking reference checks of candidates for such positions; (ii) structuring the organisation design; and (iii) cost control.

The Committee will also prohibit any other work where mutual interests exist that could impair the independence and objectivity of the external auditor.

REPORTING OF STAFF CONCERNS

Melvin Lawson, a long-standing non-executive director, 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 in the Staff Handbook and on the Company's intranet website which sets out Melvin Lawson's contact details (Code provision C.3.5). No such matters were raised by employees during the current year.

Julian Schild

Chairman of the Audit Committee

On behalf of the Board

18 June 2018

DIRECTORS' REMUNERATION REPORT

ANNUAL STATEMENT

Dear Shareholder,

I am pleased to provide an introduction to the Remuneration Committee Report which appears in full on pages 50 to 72.

The Committee continues to believe that remuneration packages should be simple, competitive, align the interests of management with those of external shareholders, and both incentivise and reward superior long-term performance in a highly transparent manner.

As set out in last year's report, the first awards under the new long-term incentive plan ("LTIP 2016") approved by shareholders in 2016 were made to the Chief Executive and Chief Financial Officer in April 2017, further details of which are included in this report. No further awards under the LTIP 2016 were made to the executive directors during the year.

Executive directors' salaries are reviewed annually. During the year covered by this Report, the Executive Chairman received an increase of 2% on his salary to £440,262; this was in line with the Company's average cost of living increase. The Chief Executive Officer and Chief Financial Officer received increases to their salaries of 13.3% and 16.2% respectively to £530,000 each for the period. Whilst these increases were higher than the Company's average level of increase, the Committee concluded that they were fully justified by reference to the relevant competitor benchmarks, the strong performance of both the Company and the individuals, and the absence of any bonus element in their remuneration structure.

For the year to 31 March 2019, the Executive Chairman, Chief Executive and Chief Financial Officer will receive increases on their salaries to £452,369, £554,575 and £554,575 respectively; the underlying increases are in line with the Company's average cost of living increase for all employees of 2.75%, and in the case of the Chief Executive and Chief Financial Officer also reflect an increase of £10,000 each to compensate for reductions to their pension contributions by the Company from £20,000 per annum to £10,000.

The Committee continues to believe that the provision of competitive base salaries together with market price equity incentives (including the awards made under the new LTIP 2016), are the best way to ensure a clear alignment of interest between management and other shareholders, combined with the long-term retention and motivation of the individuals involved. Nonetheless, the Committee acknowledges the significant number of votes against the approval of the Remuneration Committee Report at the last AGM and, as described later in this report, intends to further discuss the position with shareholders in due course.

In conclusion, I would like to thank shareholders for their continued engagement on remuneration matters during the year.

Andrew Blowers

Chairman of the Remuneration Committee
18 June 2018

REMUNERATION POLICY

REMUNERATION COMMITTEE

The Remuneration Committee ('the Committee') is responsible for reviewing and making recommendations to the Board regarding the 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 four times during the year and details of attendance at these meetings are provided in the Corporate Governance Statement on page 40.

The Committee's principal activities during the year included:

- reviewing and approving executive director remuneration packages;
- monitoring senior management remuneration packages;
- reviewing and approving the issue of share options to certain employees and Partners of the Company; and
- reviewing and approving the award of growth shares under the LTIP 2016 to the Chief Executive and Chief Financial Officer and certain other employees.

REMUNERATION POLICY INTRODUCTION

The Company's overall remuneration policy remains to ensure that the executive directors and other senior managers are fairly and responsibly rewarded for their individual contribution to the overall long-term 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 will continue to be based on the principle that the fortunes of the directors and senior management should be directly aligned with those of external shareholders. The Committee believes this is best achieved by using share-based incentives granted at market value, and that issuing growth shares under LTIP 2016 provides a far more transparent method of directly aligning each director's interests with all shareholders compared with paying annual cash bonuses linked to short/medium term performance measures. In view of the weight placed by the company on long term performance as part of its remuneration structure, the Committee continues to believe it is more appropriate to grant meaningful share awards in blocks with phased vesting over the medium/long term, rather than using a phased approach to granting them as set out in the Corporate Governance Code.

The remuneration policy described in this part of the report was prepared in accordance with the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in August 2013). The policy was duly approved by the Company's shareholders at the AGM on 22 July 2016 and is intended to apply for the three years beginning on that date. The Committee will continue to review the policy annually to ensure it remains appropriate for the Company's requirements and consistent with market practice.

REMUNERATION POLICY

CONTINUED

REMUNERATION POLICY TABLE

How component supports strategic objectives	Operation of component	Maximum potential value of component	Performance metrics used, weighting and time periods
Base Salary			
To recognise status and responsibility to deliver operational strategy on a day-to-day basis.	<p>Base salary is paid in 12 equal monthly instalments during the year.</p> <p>Base salaries are reviewed annually and any changes are effective from 1 April each year.</p>	<p>Increases normally for inflation and in line with other employees, or in order to ensure that base salaries properly reflect the size, complexity and growth rate of the Company relative to other FTSE 250 companies.</p> <p>Increases may also reflect any change in the level of responsibility of the director (whether through a change in role or an increase in the scale and/or scope of the activities carried out by the Company) or an increase in experience and knowledge of the Company and its markets.</p>	None, although overall performance of the individual is considered by the Committee when setting and reviewing salaries.

How component supports strategic objectives	Operation of component	Maximum potential value of component	Performance metrics used, weighting and time periods
Benefits			
To provide benefits commensurate with the role and market practice.	<p>The Company pays for private healthcare for each director and their immediate family.</p> <p>The Company provides company cars for executive directors where appropriate.</p> <p>The Company provides death in service benefits up to a maximum of four times annual base salary (subject to prevailing policy caps).</p> <p>The Committee reserves the right to introduce other benefits should this be necessary to attract and/or retain key executive directors.</p> <p>In relation to new directors the Company will pay for reasonable relocation expenses where required.</p>	Market cost of the provision of private healthcare, company cars and other benefits as applicable from time to time.	None.
Annual Bonus			
No regular annual cash bonus scheme is currently in place although the Committee wishes to retain the flexibility to introduce such a scheme should it be deemed necessary to attract and retain high calibre executive directors in future.	Bonus payment to be dependent on achievement of performance measures.	<p>Maximum potential bonus of 200% of annual Base Salary, including the value of any share incentive awards granted, as detailed below.</p> <p>The overall combined limit for annual cash bonuses and share incentive awards to be 200% of annual Base Salary.</p> <p>In years where no bonus is awarded and/or no grant of share incentives is made to a director the maximum grant limit of 200% can be accumulated and/or brought forward to be used in other years.</p>	<p>Performance measures are likely to include similar metrics to the Company performance measures used for share incentive schemes described below coupled with short term strategic or operational objectives specific to the individual director.</p> <p>Save in exceptional circumstances, directors will be required to reinvest 25% of any bonus payment (after tax) in the Company's shares at the prevailing market price. These shares are then expected to be retained for the director's period of service.</p>

REMUNERATION POLICY

CONTINUED

How component supports strategic objectives	Operation of component	Maximum potential value of component	Performance metrics used, weighting and time periods
Individual Cash Bonus			
Only paid to recognise an exceptional short term contribution to a discrete project outside the ordinary course of business requiring the director to commit time and effort significantly over and above their normal duties.	Bonus to be paid at the discretion of the Remuneration Committee and based on the formal recommendation of the Chairman.	Maximum potential bonus of 10% of base salary in any one year.	Committee to evaluate the contribution of the director to any project outside the ordinary course of business with a particular emphasis on the level of commitment made by the director and the complexity and importance of the project to the strategic success of the Company.
Existing share plans ("Share Incentive Schemes") and new LTIP ("LTIP 2016")			
To directly align the directors' interests with those of all other shareholders.	<p>Issue of share incentives at market price on the date of grant which provide direct and transparent exposure to the Company share price for the director ("Share Incentive Schemes") or, under the long-term incentive plan ("LTIP 2016"), subscription for growth shares at market value.</p> <p>Some participants below board level may be invited to subscribe for growth shares under employee shareholder status ("ESS"), ie: growth shares issued in return for the surrender of certain employment rights.</p> <p>Share Incentive Schemes include HMRC approved share option awards, and unapproved share option awards.</p>	<p>Maximum grant value equivalent to 200% of salary per annum, assuming that no annual cash bonus has been awarded during that year.</p> <p>Larger awards may be made but any excess over 200% will be carried forward and taken into account in any future share incentive grants and/or bonus payments.</p> <p>Share Incentive Schemes</p> <p>Grants made periodically, with awards vesting over 3 to 7 years.</p> <p>Grant value of share incentives to be determined in accordance with FRC Reporting Lab guidance issued in March 2013, ie: share options to be valued at one third of the market value of the shares under option.</p> <p>Vesting is dependent on service and the achievement of performance conditions.</p> <p>30% vests at threshold performance.</p>	<p>Share Incentive Schemes</p> <p>Service and performance conditions must be met over the vesting period, weighted average of three performance measures typically used for Chief Executive and Finance Director:</p> <ul style="list-style-type: none"> • Adjusted EPS growth • TSR growth • Service number growth <p>Weighting of each measure to be determined by the Committee and dependent on each director's role and strategic responsibility.</p> <p>The Committee also retains the ability to amend the performance conditions for future grants to ensure that they appropriately reflect the strategic responsibilities of the director concerned.</p>

How component supports strategic objectives	Operation of component	Maximum potential value of component	Performance metrics used, weighting and time periods																		
Existing share plans ("Share Incentive Schemes") and new LTIP ("LTIP 2016") - continued																					
		<p>LTIP 2016</p> <p>Grants are expected to be made in a single tranche following adoption of the plan (although new joiners or promoted individuals may be invited to join at a later stage).</p> <p>Grant value of the growth shares will be based on their market value on the date they are issued to participants, and assuming maximum dilution (ie: each growth share is equivalent to 10 ordinary shares in the Company).</p> <p>Awards will vest over 3 to 10 years, and the growth shares will accrete value subject to the achievement of defined hurdles.</p> <p>Participants will only share in the growth of the value of the Company if the initial share price increases to at least £20, or (if the Committee so determines) adjusted EPS has increased by at least 100%. Maximum dilution will only occur if the share price exceeds £50, or (if the Committee has so determined) adjusted EPS has increased to at least 3.5x the current level.</p>	<p>The Committee may require forfeiture of shares comprised in an award in the event of a material error or mis-statement in the accounts, or a material failure in risk management ("Malus and Clawback").</p> <p>LTIP 2016</p> <p>Service conditions must be met over vesting periods of 3, 5, 7 or 10 years, each in relation to 25% of the total number of growth shares issued to each participant.</p> <p>The basis on which value accretes to the growth shares is determined by reference to increases in share price or (at the discretion of the Committee) increases in adjusted earnings per share.</p> <p>In respect of the shares which become convertible on each vesting date, the basis of conversion will be the higher of the rate given by using the share price and adjusted EPS growth rates, as follows:</p> <table><tr><th>Share Price</th><th>Conversion Ratio</th></tr><tr><td><£20</td><td>Nil</td></tr><tr><td>£20 to £24.99</td><td>2.5x</td></tr><tr><td>£25 to £29.99</td><td>3.75x</td></tr><tr><td>£30 to £34.99</td><td>5.0x</td></tr><tr><td>£35 to £39.99</td><td>6.25x</td></tr><tr><td>£40 to £44.99</td><td>7.5x</td></tr><tr><td>£45 to £49.99</td><td>8.75x</td></tr><tr><td>£50+</td><td>10.0x</td></tr></table>	Share Price	Conversion Ratio	<£20	Nil	£20 to £24.99	2.5x	£25 to £29.99	3.75x	£30 to £34.99	5.0x	£35 to £39.99	6.25x	£40 to £44.99	7.5x	£45 to £49.99	8.75x	£50+	10.0x
Share Price	Conversion Ratio																				
<£20	Nil																				
£20 to £24.99	2.5x																				
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£40 to £44.99	7.5x																				
£45 to £49.99	8.75x																				
£50+	10.0x																				

REMUNERATION POLICY

CONTINUED

How component supports strategic objectives	Operation of component	Maximum potential value of component	Performance metrics used, weighting and time periods																			
Existing share plans ("Share Incentive Schemes") and new LTIP ("LTIP 2016") - continued																						
		<p>The Committee has absolute discretion in setting the share price hurdles for both initial participants (being those made shortly after the adoption of LTIP 2016) and future grants, subject to the hurdles not being below the levels set out in this report (ie: an initial hurdle of £20 for 2.5x conversion, £25 for 3.75x conversion, £30 for 5x conversion, £35 for 6.25x conversion, £40 for 7.5x conversion, £45 for 8.75x conversion and £50 for 10x conversion).</p> <p>For initial participants, the first vesting period will be the 30 day window immediately following the announcement of the results for the Company for the year ended 31 March 2019 (ie: slightly under three years), and then annually thereafter.</p> <p>For future grants, the first vesting/conversion period will be the 30 day window immediately following the third anniversary of the date on which the growth shares were issued, then annually thereafter.</p>	<table><tr><th>EPS Growth</th><th>Conversion Ratio</th></tr><tr><td><2.0x</td><td>Nil</td></tr><tr><td>2.0x to 2.24x</td><td>2.5x</td></tr><tr><td>2.25x to 2.49x</td><td>3.75x</td></tr><tr><td>2.5x to 2.74x</td><td>5.0x</td></tr><tr><td>2.75x to 2.9x</td><td>6.25x</td></tr><tr><td>3.0x to 3.24x</td><td>7.5x</td></tr><tr><td>3.25x to 3.5x</td><td>8.75x</td></tr><tr><td>>3.5x</td><td>10.0x</td></tr></table>	EPS Growth	Conversion Ratio	<2.0x	Nil	2.0x to 2.24x	2.5x	2.25x to 2.49x	3.75x	2.5x to 2.74x	5.0x	2.75x to 2.9x	6.25x	3.0x to 3.24x	7.5x	3.25x to 3.5x	8.75x	>3.5x	10.0x	<p>For any future grants, other than those made immediately following adoption of the LTIP 2016, stretching hurdles will be set by the Committee that will not be below those which apply to initial participants.</p> <p>The Company has the right to reduce or withhold the value that would otherwise accrue under the 2016 LTIP or Share Incentive Schemes prior to exercise/conversion (malus) or after exercise/conversion (clawback) in certain circumstances including:</p> <ul style="list-style-type: none">(i) Gross misconduct of the participant;(ii) Material error or misstatement in the accounts; or(iii) Grant or vesting of awards being found to be incorrect due to misleading or inaccurate information.
EPS Growth	Conversion Ratio																					
<2.0x	Nil																					
2.0x to 2.24x	2.5x																					
2.25x to 2.49x	3.75x																					
2.5x to 2.74x	5.0x																					
2.75x to 2.9x	6.25x																					
3.0x to 3.24x	7.5x																					
3.25x to 3.5x	8.75x																					
>3.5x	10.0x																					

How component supports strategic objectives	Operation of component	Maximum potential value of component	Performance metrics used, weighting and time periods
Pension			
To provide funding for retirement.	Defined contribution pension scheme open to all employees and executive directors.	Company contributes up to a maximum of 20% of Base Salary per annum.	None.
Shareholding Requirement			
To strengthen the long term alignment of directors' interests with those of all shareholders.	Shareholding requirement policy is primarily driven from the issue of shares resulting from the exercise of awards made under the Share Incentive Schemes and LTIP 2016.	<p>Subject to personal circumstances and existing shareholding level, and the payment of relevant taxes, directors are encouraged to retain 25% of the shares resulting from each exercise of awards made under the Share Incentive Schemes and LTIP 2016.</p> <p>Under LTIP 2016, in relation to the 25% blocks of their award which vest after 3, 5 or 7 years, participants are required to retain 50% of any shares they choose to convert for at least 12 months. In relation to the final 25% block which vests after 10 years, they are obliged to retain 75% for 12 months, 50% for 18 months, and 25% for 24 months.</p>	N/A

References to the JSOP have been removed from these tables as it has now expired.

REMUNERATION POLICY

CONTINUED

CHOICE OF PERFORMANCE MEASURES

The Committee chose the performance measures described in the table above as these are deemed to align directly the executive directors' interests with those of all shareholders in an easily understood and transparent manner.

Share Incentive Schemes (excluding LTIP 2016)

The performance measures comprise a combination of relative total shareholder return ('TSR'), Adjusted EPS (excluding share incentive scheme charges and amortisation of intangible assets) and service number growth measures. Adjusted EPS is considered appropriate as a key strategic objective of the Company if it is to drive profitable growth in each year. It also provides a balance to relative TSR, which considers shareholder value creation and reflects market expectations of future performance, and absolute service number growth which, when achieved responsibly, will also drive long-term value creation.

The use of relative TSR and Adjusted EPS growth measures provides a combined focus on the Company's financial performance and shareholder value creation. Targets for Adjusted EPS are set by reference to internal budgeting plans and external market expectations. TSR targets are set on a standard practice, median to upper quartile ranking range. Only 30% of share incentive awards vest for threshold levels of performance.

The Committee wishes to retain the ability to change the composition of performance conditions for future grants to directors should this be required in order to reflect appropriately the strategic responsibilities of the particular director concerned.

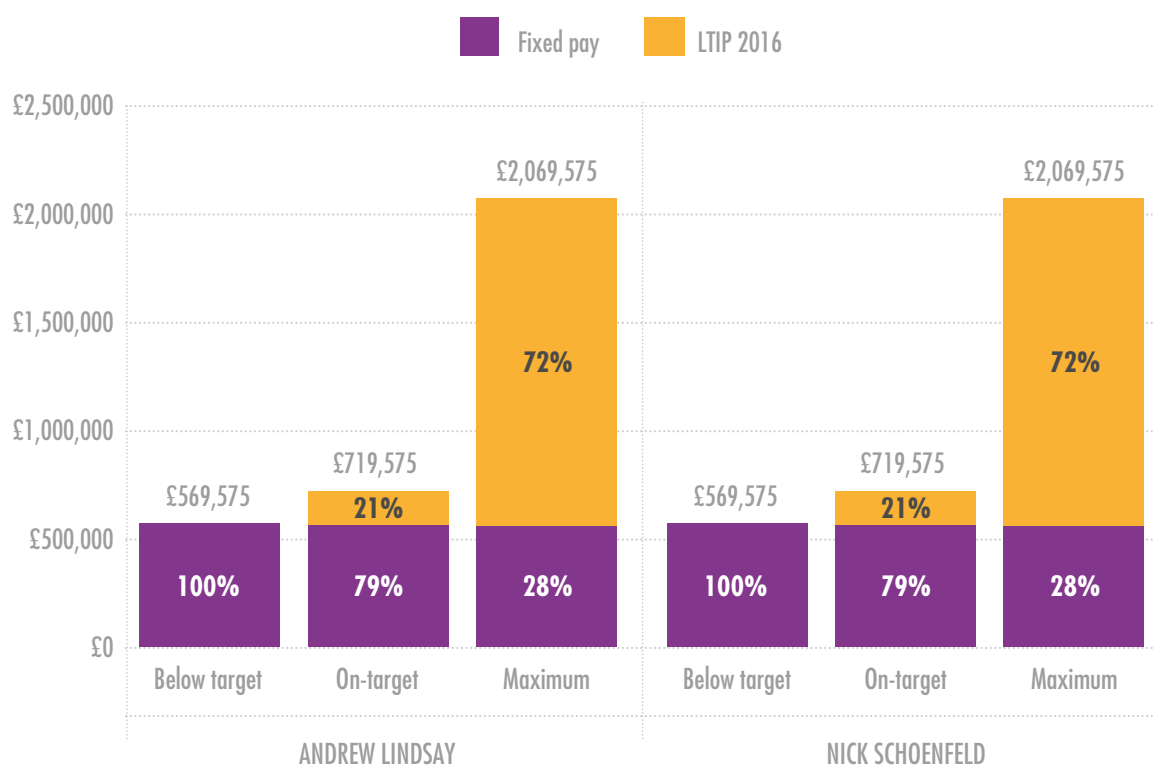
LTIP 2016

The Committee has chosen growth in the Company's share price as the primary measure for LTIP 2016 because it directly links the rewards received by participants with the value that has been created for shareholders. However, the Committee recognises that share price is not in the control of senior management, and periods of stock market volatility may coincide with the dates on which growth shares issued under the plan are due to vest. An alternative stretching growth metric of adjusted earnings per share (for the purposes of determining the number of ordinary shares in the Company received by participants on each vesting date) has therefore been included at the discretion of the Committee.

ILLUSTRATIVE APPLICATION OF REMUNERATION POLICY

The bar chart below seeks to illustrate the potential rewards available under the proposed remuneration policy for the coming financial year under varying levels of performance in relation to the LTIP 2016. The illustration reflects the issue of 30,000 growth shares each to Andrew Lindsay and Nick Schoenfeld on 4 April 2017, and that no annual cash bonuses are paid. The amounts for pensions and benefits included in the fixed remuneration figure have been calculated on the same basis as payments made for the year ended 31 March 2018.

The potential rewards available under the LTIP 2016 reflect the annual equivalent value of the awards over the 10 year life. The 'on-target' and 'maximum' performance under the LTIP 2016 have been based on a Company share price of £20 and £50 respectively at vesting.



The Executive Chairman, Mr Wigoder, has not been included in the above bar chart as he only receives fixed remuneration due to the size of his existing shareholding in the Company.

REMUNERATION POLICY

CONTINUED

SERVICE CONTRACTS AND POLICY FOR PAYMENT FOR LOSS OF OFFICE

The table below sets out the Company's policy regarding service contracts and payments for loss of office.

Standard provision	Policy	Details	Other provisions in service contracts
Notice periods in executive directors' service contracts.	6 - 12 months' notice from the Company. 6 - 12 months' notice from the executive director.	Executive directors may be required to work during notice period or may be provided with pay in lieu of notice if not required to work full notice. All executive directors are subject to annual re-election by shareholders.	N/A
Compensation for loss of office in service contracts.	No more than base salary, benefits and pension contributions for the period of the executive director's notice. No contractual provision for additional compensation in the event of loss of office resulting from poor performance.	Any statutory entitlements or sums to settle or compromise claims in connection with any termination of office would need to be paid as necessary, subject to the fulfilment of the director's duty to mitigate their loss.	N/A
Treatment of unvested Share Incentive Scheme and LTIP 2016.	Share Incentive Schemes All awards lapse except for "good leavers": ie: death, injury, disability, redundancy, retirement or where the employing company or the company with which the office is held ceases to be a member of the Group or the transfer of employment out of the Group by reason of the Transfer of Undertakings (Protection of Employment) Regulations 2006.	Share Incentive Schemes A "good leaver" may exercise any subsisting share options within the period of 6 months from the date of cessation of employment. If a participant ceases to be employed within the Group otherwise than as a "good leaver", no unvested share options held shall be exercisable after the date of such cessation unless the Committee in its absolute discretion (provided that such discretion must be exercised fairly and reasonably) so decides but for a period of not more than 12 months from the date of cessation. The Committee considers it unlikely that such discretion would be used in the event of a participant ceasing to be employed by the Company as a "bad leaver".	N/A

Standard provision	Policy	Details	Other provisions in service contracts
	<p>LTIP 2016</p> <p>All awards lapse except for “good leavers”: ie: death, or where the employing company or the company with which the office is held ceases to be a member of the Group or the transfer of employment out of the Group by reason of the Transfer of Undertakings (Protection of Employment) Regulations 2006.</p> <p>In the event of injury, disability, retirement or redundancy, the Committee may exercise its discretion to classify the participant as a “good leaver”.</p>	<p>LTIP 2016</p> <p>If a participant in the LTIP 2016 ceases to be employed within the Group otherwise than as a “good leaver”, any unvested awards will be forfeited. Any growth shares which have vested but not been converted, must be converted within 14 days of the end of their employment otherwise they will be forfeited; the conversion ratio shall be based on the average share price for the 30 working days immediately preceding the date on which conversion takes place.</p> <p>If a participant in the LTIP 2016 is a “good leaver”, then he shall be entitled to the benefit of any shares that have become convertible prior to the date of leaving, and such shares shall be converted (at the option of the employee) either within 14 days of the termination of their employment (in which case the conversion ratio shall be based on the average share price for the 30 working days immediately preceding the date on which conversion takes place), or during the next annual vesting period using the criteria which apply on that date.</p>	N/A
Exercise of discretion.	Discretion to be used only in exceptional circumstances.	The Committee will take into account the recent performance of the director and the Company, and the nature of the circumstances around the executive director’s departure.	N/A
Non-executive Directors.	Non-executive directors are appointed for an initial term of one year which is then reviewed by the Board on annual basis thereafter.	<p>Non-executive directors are all subject to annual re-election by shareholders at the Company’s AGM each year.</p> <p>Non-executive directors have a three month notice period and there is no provision for compensation if required to stand down.</p>	Non-executive directors have the right to seek independent professional advice at the expense of the Company in the pursuance of their duties.

References to the JSOP have been removed from these tables as it has now expired.

REMUNERATION POLICY

CONTINUED

APPROACH TO RECRUITMENT REMUNERATION

The Committee's approach to recruitment is to pay a sufficient amount necessary to attract the best candidates to the particular role. In determining these amounts the Committee will be mindful of, inter alia, prevailing market rates, the chosen candidate's skills, knowledge and experience, and their existing location and position.

Where the candidate has variable remuneration arrangements with a previous employer that will be lost on leaving employment, the Company will consider offering a sign-on award in compensation for the value foregone, either as an award under an existing share incentive scheme or a bespoke award under the Listing Rules exemption available for this purpose. The face and/or expected values of the award(s) offered will not materially exceed the value ascribed to the award(s) foregone, and would normally follow the same vesting timing and form (ie: cash or shares) save that the Committee may award the whole of the value in shares, at its discretion. The application of performance conditions would be considered and, where appropriate, the awards could be made subject to claw-back in certain circumstances. For material amounts the Committee would, where practicable, consult with key institutional shareholders ahead of committing to make any such sign-on awards, and in any event a full explanation of any amounts awarded, an explanation of why it was necessary and a breakdown of the awards to be made will be announced to the markets at the time of granting. For the avoidance of doubt, should a new director be internally promoted from the Company's senior management team they will not be expected to give up or amend any element of remuneration granted to them prior to becoming a director which is inconsistent with the remuneration policy set out above.

Any new executive director's remuneration package would include the same elements, and be subject to the same constraints, as those of the existing executive directors as outlined in the above policy table.

NON-EXECUTIVE DIRECTORS' FEES POLICY

How component supports strategic objectives	Operation of component	Maximum potential value of component	Performance metrics used, weighting and time periods
To attract non-executive directors who have a broad range of experience and skills to support and oversee the implementation of strategy and ensure good corporate governance.	<p>Non-executive directors' fees are set by the Board as a whole and aligned with the responsibilities of each director.</p> <p>Annual fees are paid in 12 equal monthly instalments during the year.</p> <p>Non-executive directors' fees are periodically reviewed by the Board in the light of any changes in role and prevailing market rates for Non-executive directors in similarly sized listed companies.</p>	Non-executive directors' remuneration will not be set outside the parameters of prevailing market rates for similarly-sized companies of equal complexity.	Non-executive directors are not eligible to participate in any performance-related arrangements or share incentive schemes.

STATEMENT OF CONSIDERATION OF SHAREHOLDER VIEWS

The Chairman of the Committee engages with certain of the Company's largest shareholders who have expressed an interest in being consulted in relation to remuneration matters to understand their expectations and monitor any changes in their views.

STATEMENT OF CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE GROUP

The Committee considers pay levels across the organisation when setting remuneration for all directors (both executives and non-executives). However this review is undertaken against a background of ensuring that the prevailing market rates for all levels of employee in the organisation are taken into account in order to attract, retain and motivate the best employees at each level. In relation to directors, specific account is taken of any change in the level of responsibility of the director (whether through a change in role or the increased size of the Company) or an increase in experience and knowledge of the Company and its markets which may not be relevant to roles elsewhere in the Company.

The Company does not deem it appropriate to formally consult with employees regarding the determination of the directors' remuneration policy as the broad remuneration structure for directors mirrors that of all employees, ie: the payment of a base salary, benefits and share incentive scheme awards at market price and/or LTIP 2016 awards. However, employees have the opportunity to make comments on any aspect of the Company's activities through an employee survey and any comments made which are relevant to directors' remuneration would be considered by the Committee.

ANNUAL REPORT ON REMUNERATION

This report, which has been prepared in accordance with the provisions of the UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council in April 2016 and Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in August 2013) ("the Regulations"), 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 "Single Total Figure of Remuneration", parts of "Share Incentive Schemes" and "Pension Schemes" have been subject to external audit.

SINGLE TOTAL FIGURE OF REMUNERATION

The Committee recommended increases to the annual base salaries of Executive Chairman Charles Wigoder, Chief Executive Andrew Lindsay and Chief Financial Officer Nick Schoenfeld during the year as follows:

- Charles Wigoder - increased from £431,629 to £440,262;
- Andrew Lindsay - increased from £467,598 to £530,000; and
- Nick Schoenfeld - increased from £456,000 to £530,000.

The increase for Charles Wigoder was in line with the Company's average cost of living increase for employees. Andrew Lindsay and Nick Schoenfeld received increases to their salaries of 13.3% and 16.2% respectively to £530,000 each for the period. Whilst these increases were higher than the Company's average level of increase, the Committee concluded that they were fully justified by reference to the relevant competitor benchmarks, the strong performance of both the Company and the individuals, and the absence of any bonus element in their remuneration structure.

The non-executive directors receive fees for their services, the details of which are described below. The level of these fees for the existing non-executive directors was unchanged during the year.

YEAR ENDED 31 MARCH 2018 (AUDITED)

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

DIRECTOR	SALARY & FEES £'000	TAXABLE BENEFITS £'000	PENSION CONTRIBUTIONS £'000	SHARE INCENTIVES £'000	TOTAL £'000
Charles Wigoder	440	-	-	-	440
Julian Schild	35	-	-	-	35
Andrew Lindsay	530	5	20	-	555
Nick Schoenfeld	530	6	20	-	556
Andrew Blowers	40	1	-	-	41
Beatrice Hollond	40	-	-	-	40
Melvin Lawson	12	-	-	-	12
TOTAL	1,627	12	40	-	1,679

The amounts relating to taxable benefits received relate principally to the provision of private health insurance to the directors.

YEAR ENDED 31 MARCH 2017 (AUDITED)

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

DIRECTOR	SALARY & FEES £'000	TAXABLE BENEFITS £'000	PENSION CONTRIBUTIONS £'000	SHARE INCENTIVES £'000	TOTAL £'000
Charles Wigoder	432	-	-	-	432
Julian Schild	35	-	-	-	35
Andrew Lindsay	468	15	40	-	523
Nick Schoenfeld	456	13	40	-	509
Andrew Blowers ¹	14	-	-	-	14
Beatrice Hollond ¹	21	-	-	-	21
Melvin Lawson	12	-	-	-	12
Michael Pavia ¹	9	-	-	-	9
TOTAL	1,447	28	80	-	1,555

¹ Michael Pavia retired from the Board on 22 July 2016, Beatrice Hollond and Andrew Blowers were appointed to the Board on 26 September 2016 and 21 November 2016 respectively.

SHARE INCENTIVE SCHEMES

The Company has two conventional share option plans and the LTIP 2016. The first share option plan and the LTIP 2016 are available to employees, and the second share option plan is available to the Company's Partners. The Company also has a Save As You Earn share option plan ("the Employee SAYE Share Option Plan") for employees.

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 market price options over shares in the Company, the number of shares being related to their seniority and length of service.

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.

Following the expiry of the previous employee share option plan put in place in 2007, a new employee share option plan was approved by shareholders at the AGM in July 2017. The new scheme is based on substantially the same terms and conditions as the previous plan.

ANNUAL REPORT ON REMUNERATION

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The LTIP 2016

The LTIP 2016 comprises the issue to participants of a class of 'growth' shares, which potentially become convertible into ordinary shares in the Company over a period of typically 3-10 years following the achievement of stretching targets. If these targets are not achieved, then the growth shares lapse with no value to participants. The first awards of growth shares were made to initial participants in the scheme on 4 April 2017; these included the Chief Executive Officer and Chief Financial Officer of the Company.

The intention behind introducing LTIP 2016 was to reward the creation of significant shareholder value, therefore the following hurdles have been chosen, with no value accruing to participants unless either: (i) the share price has risen to at least £20; or (ii) the adjusted earnings per share of the Company has at least doubled.

The initial participants have been set further stretching targets of growing the share price and adjusted EPS; as each of these hurdles is achieved, the conversion ratio of growth shares to ordinary shares in the Company increases as follows:

SHARE PRICE	EPS GROWTH	CONVERSION RATIO
<£20	<2.0x	Nil
£20 to £24.99	2.0x to 2.24x	2.5x
£25 to £29.99	2.25x to 2.49x	3.75x
£30 to £34.99	2.5x to 2.74x	5.0x
£35 to £39.99	2.75x to 2.9x	6.25x
£40 to £44.99	3.0x to 3.24x	7.5x
£45 to £49.99	3.25x to 3.5x	8.75x
£50+	>3.5x	10.0x

For initial participants, the awards vest progressively over approximately a 9 year period with 25% vesting after approximately 2 years in August 2019, 25% after approximately 4 years in August 2021, 25% after approximately 6 years in August 2023, and the final 25% vesting after approximately 9 years in August 2026; in all cases, conversion is subject to the relevant hurdles having been achieved on the conversion date. In addition, transfer restrictions will apply on a proportion of the shares for up to two years, to ensure the interests of management and shareholders remain aligned.

For any future LTIP 2016 grants, stretching targets will be set by the Committee that will not be below those which apply to initial participants.

One of the key drivers behind the introduction of LTIP 2016 is the retention of key individuals over the longer term, therefore any growth shares issued to a participant will generally lapse if they cease to be employed by the Company before they have vested. In accordance with best practice, both malus and clawback provisions have been included.

A summary of the principal terms of the LTIP 2016 was included in the Appendix to the 2016 AGM circular sent to all shareholders.

The Employee SAYE Share Option Plan

The Employee SAYE Share Option Plan enables employees of the group to acquire shares in the Company in a tax efficient manner using monies saved from salary over a three or five year period. A summary of the principal terms of the Employee SAYE Share Option Plan were set out in the Appendix to the 2015 AGM circular sent to all shareholders.

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 Members 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.

Following the expiry of the previous networkers and consultants share option plan put in place in 2007, a new networkers and consultants share option plan was approved by shareholders at the AGM in July 2017. The new scheme is based on substantially the same terms and conditions as the previous plan.

Statement of Directors' Shareholding and Share Interests (audited)

Details of the directors' shareholdings are set out in the Directors' Report on page 74. As set out in the Remuneration Policy Table of the Company's Remuneration Policy, a target level of share ownership is not stipulated for directors, however, subject to personal circumstances and existing shareholdings they are encouraged to retain 25% of shares issued as a result of the exercise of share incentive awards.

Details of the share awards held by 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 18 to the financial statements):

	1 APRIL 2017	GRANTED	EXERCISED/ LAPSED	31 MARCH 2018	EXERCISE PRICE PER SHARE	EXERCISABLE FROM	EXPIRY DATE
CHARLES WIGODER							
<i>SAYE Scheme</i>							
25 Sept 2015	1,701	-	-	1,701	1058p	1 Nov 18	30 Apr 19
ANDREW LINDSAY							
<i>LTIP 2016 – growth shares</i>							
4 April 2017	-	7,500	-	7,500	n/a	1 Aug 19	31 Aug 19
4 April 2017	-	7,500	-	7,500	n/a	1 Aug 21	31 Aug 21
4 April 2017	-	7,500	-	7,500	n/a	1 Aug 23	31 Aug 23
4 April 2017	-	7,500	-	7,500	n/a	1 Aug 26	31 Aug 26
<i>Share options</i>							
1 July 2014	100,000	-	100,000	-	1337p	1 Jul 17	30 Jun 24
1 July 2014	100,000	-	100,000	-	1337p	1 Jul 19	30 Jun 24
1 July 2014	100,000	-	100,000	-	1337p	1 Jul 21	30 Jun 24
<i>SAYE Scheme</i>							
25 Sept 2015	1,701	-	-	1,701	1058p	1 Nov 18	30 Apr 19

ANNUAL REPORT ON REMUNERATION

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	1 APRIL 2017	GRANTED	EXERCISED/ LAPSED	31 MARCH 2018	EXERCISE PRICE PER SHARE	EXERCISABLE FROM	EXPIRY DATE
NICK SCHOENFELD							
<i>LTIP 2016 – growth shares</i>							
4 April 2017	-	7,500	-	7,500	n/a	1 Aug 19	31 Aug 19
4 April 2017	-	7,500	-	7,500	n/a	1 Aug 21	31 Aug 21
4 April 2017	-	7,500	-	7,500	n/a	1 Aug 23	31 Aug 23
4 April 2017	-	7,500	-	7,500	n/a	1 Aug 26	31 Aug 26
<i>Share options</i>							
13 July 2015	100,000	-	100,000	-	985p	13 Jul 18	12 Jul 25
13 July 2015	50,000	-	50,000	-	985p	13 Jul 19	12 Jul 25
13 July 2015	50,000	-	50,000	-	985p	13 Jul 20	12 Jul 25
13 July 2015	50,000	-	50,000	-	985p	13 Jul 21	12 Jul 25
13 July 2015	50,000	-	50,000	-	985p	13 Jul 22	12 Jul 25
<i>SAYE Scheme</i>							
25 Sept 2015	1,701	-	-	1,701	1058p	1 Nov 18	30 Apr 19

Mr Andrew Lindsay

Mr Lindsay relinquished the options issued to him on 1 July 2014 for no consideration after the year end on 4 April 2017 and therefore no benefit will accrue to Mr Lindsay from this award. On 4 April 2017 Mr Lindsay subscribed to 30,000 growth shares under the terms of the LTIP 2016, the face value of these awards was £520,275 and the performance conditions are set out in the above LTIP 2016 section.

Mr Nick Schoenfeld

Mr Schoenfeld relinquished the options awarded to him on 13 July 2015 for no consideration after the year end on 4 April 2017 and therefore no benefit will accrue to Mr Schoenfeld from this award. On 4 April 2017 Mr Schoenfeld subscribed to 30,000 growth shares under the terms of the LTIP 2016, the face value of these awards was £520,275 and the performance conditions are set out in the above LTIP 2016 section.

DIRECTORS' CONTRACTS OF SERVICE

There are Service Contracts or Letters of Appointment for Charles Wigoder (5 May 2011), Andrew Lindsay (5 May 2011), Nick Schoenfeld (9 October 2014), Julian Schild (25 May 2010), Andrew Blowers (2 November 2016), Beatrice Hollond (26 September 2016) and Melvin Lawson (27 September 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 Schoenfeld each with six months on either side.

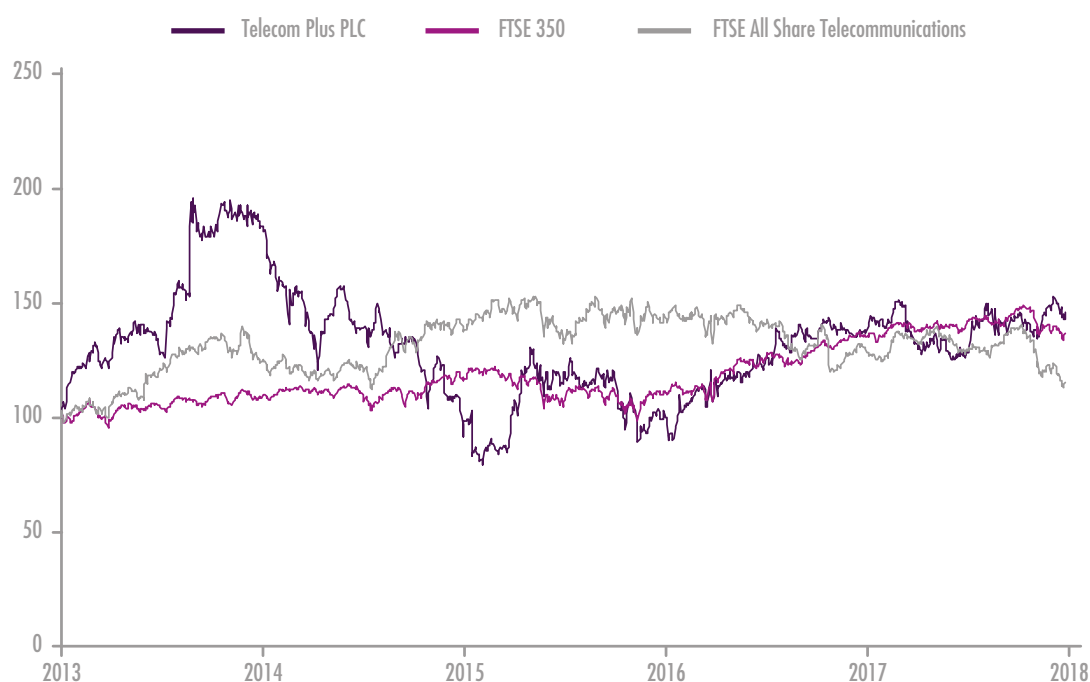
PENSION SCHEMES (AUDITED)

The Company makes no contributions to the pensions of any current directors except to Mr Lindsay and Mr Schoenfeld, details of which are shown within the table on page 64.

PERFORMANCE GRAPH SHOWING TOTAL SHAREHOLDER RETURN

The following graph shows the Company's performance measured by total shareholder return compared with the performance of the FTSE All Share Telecommunications Index and the FTSE 350 for the period 1 April 2013 to 30 March 2018. As noted in previous years, the FTSE All Share 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 18.7% of the Company's revenues are now generated from such telephony services.

The FTSE 350 Index is included 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: BLOOMBERG

ANNUAL REPORT ON REMUNERATION

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TABLE OF HISTORICAL DATA

The following table shows the total remuneration, as defined by the Regulations, and the amount vesting under share incentive schemes as a percentage of the maximum that could have been achieved, in respect of the Chief Executive. The Chief Executive was Mr Andrew Lindsay in all years shown in the table.

YEAR ENDED 31 MARCH	2014	2015	2016	2017	2018
Single figure of total remuneration £'000	432	2,175	513	523	555
Percentage of maximum of share incentives vesting in year %	N/A	100	N/A	N/A	N/A

The gain on share incentive schemes vesting in the year ended 31 March 2015 represent the gains on share incentive awards based on the prevailing share price as at the earlier of the date of exercise of the share incentives and the year end in which the awards vested. No share incentive awards vested to the Chief Executive in the years ended 31 March 2014, 2016, 2017 and 2018.

PERCENTAGE CHANGE IN THE REMUNERATION OF THE CHIEF EXECUTIVE

The following table shows the change in certain aspects of the remuneration of Mr Lindsay.

YEAR ENDED 31 MARCH	2018 £'000	2017 £'000	CHANGE %
Salary	530	468	13.2%
Benefits	5	15	(200.0)%

The Group's pay review for the year ended 31 March 2018 which took effect on 1 April 2017 awarded average percentage increases in salaries to employees of 2.0%.

RELATIVE IMPORTANCE OF THE SPEND ON PAY

The Regulations require an illustration of the significance of the Company's expenditure on pay in the context of its operations. Set out below is a summary of the Company's levels of expenditure on pay and other significant cash outflows to key stakeholders.

YEAR ENDED 31 MARCH	2018 £'000	2017 £'000	CHANGE %
Wages and salaries	36,772	31,501	16.7%
Dividends paid	38,273	37,633	1.7%

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN THE FOLLOWING FINANCIAL YEAR

Base Salaries

For the year to 31 March 2019 the Committee recommended that the Executive Chairman, Chief Executive and Chief Financial Officer receive increases on their salaries to £452,369, £554,575 and £554,575 respectively; the underlying increases are in line with the Company's average cost of living increase for all employees of 2.75%, and in the case of the Chief Executive and Chief Financial Officer also reflect an increase of £10,000 each to compensate for reductions to their pension contributions by the Company from £20,000 per annum to £10,000.

The Committee also recommended an increase in the base salary of Julian Schild, the Company's senior non-executive director and Deputy Chairman, from £35,000 to £40,000 per annum. This mainly reflects the fact that Mr Schild has not received an increase in base salary since his appointment in 2010.

Other benefits

Directors' remuneration in relation to pension contributions and other benefits for the year will be made in accordance with the Remuneration Policy.

SHAREHOLDER VOTE AND SHAREHOLDER ENGAGEMENT

As set out in the Remuneration Policy, the Committee encourages dialogue with the Company's major shareholders regarding remuneration matters and will endeavour to consult with these shareholders ahead of any significant future changes to the remuneration policy.

Details of the votes cast in relation to the main remuneration resolutions at last year's AGM are set out below:

	2017 AGM	%
<i>To approve the 2017 Remuneration Report</i>		
Votes cast in favour & Chairman discretion	24,616,193	50.41
Votes cast against	24,217,946	49.59
Total	48,834,139	100.00

<i>To approve the adoption of the 2017 Employee Share Option Plan</i>		
Votes cast in favour & Chairman discretion	36,302,804	74.34
Votes cast against	12,531,162	25.66
Total	48,833,966	100.00

<i>To approve the adoption of the 2017 Networkers & Consultants Share Option Plan</i>		
Votes cast in favour & Chairman discretion	35,474,152	72.64
Votes cast against	13,360,804	27.36
Total	48,834,956	100.00

ANNUAL REPORT ON REMUNERATION

CONTINUED

In addition to the above there were 2,446, 2,619 and 1,629 votes withheld for each vote above respectively.

The Committee believes that a key factor behind the high number of votes cast against the Remuneration Report concerned the awards made under the LTIP 2016, where a particular area of concern related to the relatively short period between participant subscription to the growth shares in April 2017 and the first vesting period in August 2019. In relation to this, the Committee notes that the implementation of the LTIP took longer than initially expected and that it did not want the participants to be unfairly disadvantaged as a result. Had the LTIP been implemented and awards made within the originally envisaged timeframe, the vesting period would have been more aligned with the normal three-year benchmark for share incentive awards. The Committee also notes that only 25% of the awards vest in August 2019 and that a key hurdle in the scheme requires that the Company's share price is over £20 before any growth share awards vest, regardless of the length of the period before vesting.

The Committee continues to believe that the LTIP 2016 awards are in the best long-term interests of the Company, and the strong alignment they create between the interests of the executive directors and external shareholders will drive significant increases in shareholder value over the lifetime of this incentive.

In relation to the adoption of the new share option schemes, the Committee understands that a key factor behind the relatively high number of votes cast against the resolutions concerned the dilution limits in the schemes. The Committee firmly believes it is in the best interests of the Company to retain relatively higher dilution limits given the Company needs to incentivise both its employees and unique network of Partners.

THE UK CORPORATE GOVERNANCE CODE

The Committee acknowledges the requirement set out in the Corporate Governance Code issued by the FRC in April 2016 ("the Code") for companies to put in place arrangements that will enable them to recover or withhold variable remuneration when appropriate to do so.

The Committee therefore included provisions to withhold or recover such remuneration in the event of fraud or malus committed by a director in the LTIP 2016 awards.

Andrew Blowers

Chairman of the Remuneration Committee
On behalf of the Board
18 June 2018

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements for the year to 31 March 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

A full review of the development of the business is contained in the Strategic Report on pages 1 to 36. A summary of the financial risk management objectives and policies is contained in note 19 to the financial statements.

This Directors' Report, together with the information in the Strategic Report forms the management report for the purposes of DTR 4.1.8R.

RESULTS AND DIVIDENDS

The profit for the year after tax of £30,490,000 (2017: £94,960,000) has been transferred to reserves. An interim dividend of 24p per share (2017: 23p) was paid during the year. A final dividend of 26p per share (2017: 25p per share) is proposed. On 19 April 2018 the Board announced that it expected adjusted profit before tax from continuing activities to be around £54.0 million for the year ended 31 March 2018. The actual adjusted profit before tax for the year ended 31 March 2018 was £54.3 million (see Financial Review page 21).

GROUP REORGANISATION

On 1 April 2017 the trading activities, the majority of the assets and liabilities, and the employees of Telecom Plus PLC, as well as all its subsidiaries, were transferred to Utility Warehouse Limited a 100% subsidiary of Telecom Plus PLC under a group reorganisation. The reorganisation was designed to provide the Group with a more conventional legal structure in line with other large publicly-listed entities, and to facilitate the launch of the LTIP 2016 detailed in the Remuneration Committee report. The reorganisation has not had any impact on the consolidated trading results of the Group.

DIRECTORS' REPORT

CONTINUED

DIRECTORS

The names of directors who served during the year and their interests, including those of their connected persons, 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 pages 67 and 68.

DIRECTOR	ORDINARY 5p SHARES HELD AT	
	31 MARCH 2018	31 MARCH 2017
Charles Wigoder	16,010,741	16,073,241
Julian Schild*	189,932	189,932
Andrew Lindsay	357,448	382,674
Nick Schoenfeld	6,250	6,250
Andrew Blowers*	-	-
Beatrice Hollond*	1,800	1,800
Melvin Lawson*	2,136,744	2,136,744

*indicates non-executive directors

In respect of the above shareholdings, Mr Wigoder has a non-beneficial interest in 3,467,683 shares (2017: 3,067,683), and the small reduction of 62,500 in his total shareholding relates to shares held by one of his (previously minor) children ceasing to be included after reaching 18 years of age.

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.

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, shareholders with in excess of 20% of the shares in the Company are entitled under the Articles to appoint a director and remove any such director appointed.

In accordance with current best practice, all Board directors will be retiring at the forthcoming AGM and will then offer 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 should this be deemed to be appropriate.

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' interests 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 2006, 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.

EMPLOYEES

The requirements of the Companies Act 2006 in respect of employees are set out in the Strategic Report on pages 32 to 34.

SUBSTANTIAL SHAREHOLDERS

As at 18 June 2018, in addition to the directors, the following have notified the Company of their substantial shareholdings as detailed below:

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE OF ISSUED SHARE CAPITAL
Aberdeen Standard Life Investments Ltd	9,430,952	12.0%
Schroders PLC	5,432,809	6.9%
Norges Bank	3,086,641	3.9%
Canaccord Genuity Group Inc.	3,025,128	3.9%

DIRECTORS' REPORT

CONTINUED

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 the electronic share dealing system 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 2018 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.

Executive Chairman Charles Wigoder entered into an agreement to charge 325,000 of his shares in the Company as security for a loan from Barclays Bank Plc ("Barclays") on 3 December 2013. The loan enabled him to apply for 57,142 ordinary shares as part of his open offer entitlement which resulted from funding the Company's entering into of the new energy supply arrangements with npower on 20 December 2013. Under the terms of the charge, title to the 325,000 shares can be transferred, sold or otherwise dealt with by Barclays following the occurrence of a failure to pay any amount due and payable under the loan.

On 22 March 2018 Charles Wigoder notified the Company that he had entered into an agreement to charge 1,404,000 of his shares in the Company as security for a loan from the Julius Baer Group ("Julius Baer"). Under the terms of the charge, title to the 1,404,000 shares can be transferred, sold or otherwise dealt with by Julius Baer following an event of default under the security agreement.

On 23 March 2018 Charles Wigoder notified the Company that he had deposited a further 350,000 of his shares in the Company into a collateral account at Barclays as partial security for an increase to his existing loan facility. Under the terms of his agreement with Barclays, title to the 350,000 shares can be transferred, sold or otherwise dealt with by them following an event of default under the security agreement.

In addition, 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 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 2018 the JSOP Share Trust held 252,638 shares. 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 EE/BT 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 20 July 2017, the Company obtained authority to purchase up to 8,048,230 ordinary shares representing approximately 10% of the issued ordinary share capital (excluding treasury shares) as at 16 June 2017. The Company intends to renew this authority at this year's AGM.

Other than the tender offer made to shareholders in July 2017 described in note 15, during the year the Company did not repurchase any ordinary shares. As previously announced at the half yearly results, following the decision to retain the majority of the proceeds from the sale of Opus in February 2017, the Company now has a particularly strong balance sheet, with capital in excess of its current operating requirements; this will remain the case until these funds are either utilised to take advantage of an appropriate strategic opportunity, or are instead returned to shareholders. The Board is keeping this situation under review, and in the meantime, in order to prevent the level of excess capital continuing to increase, intends to use any retained profits from this period to buy back shares in the market. Any buy-back programme will operate under the authority granted to the Company by shareholders at the Company's last Annual General Meeting and will be subject to pricing, liquidity and quantum parameters. It is intended that any programme will be conducted in compliance with the Market Abuse Regulation (EU) No. 596/2014 and the delegated regulations made pursuant to it.

Treasury shares

The Company held 60,000 ordinary shares in treasury as at 31 March 2018 (2017: 60,000).

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.

CORPORATE GOVERNANCE

The Company's position in relation to compliance with the requirements of the UK Corporate Governance Code issued by the Financial Reporting Council is set out in the Corporate Governance Statement on pages 39 to 44.

RISK, CONTROL AND VIABILITY

In accordance with the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a three year period, taking into account the Group's current position and the potential impact

DIRECTORS' REPORT

CONTINUED

of the principal risks and uncertainties set out on pages 25 to 31. Based on this assessment, the directors confirm that they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period to March 2021.

The directors have determined that a three year period to 31 March 2021 constitutes an appropriate period over which to provide its viability statement. This is the period focussed on by the Board during the strategic planning process.

Whilst the directors have no reason to believe the Group will not be viable over a longer period, given the inherent uncertainty involved we believe this presents users of the Annual Report with a reasonable degree of confidence while still providing a longer-term perspective.

In making this statement, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The Board considers annually and on a rolling basis, a three year strategic plan. The output of this plan is used to perform central debt and headroom profile analysis, which includes a review of sensitivity to 'business as usual' risks, such as profit growth and working capital variances and severe but plausible events.

The Board also considers the ability of the Group to raise finance and deploy capital. The results take account of the availability and likely effectiveness of the mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks.

Under the revised energy supply arrangements which were effective from 1 December 2013, npower continues to be responsible for funding the principal working capital requirements relating to the supply of energy to the Company's Members. This includes funding the Budget Plans of Members who pay for their energy in equal monthly instalments and pre-funding the payment of certain energy network charges.

The Group has from Barclays Bank PLC and Lloyds Bank PLC total revolving credit facilities of £150 million for the period to 14 December 2020, of which only £40 million was drawn down as at 31 March 2018.

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

Whilst this review does not consider all of the risks that the Group may face, the directors consider that this stress-testing based assessment of the Group's prospects is reasonable in the circumstances of the inherent uncertainty involved.

For and on behalf of the Board

David Baxter

Company Secretary

18 June 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE REPORT AND ACCOUNTS AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the report and accounts and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company 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 (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements on the same basis.

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 Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE REPORT AND ACCOUNTS AND THE FINANCIAL STATEMENTS

CONTINUED

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Charles Wigoder

Executive Chairman

18 June 2018

Nick Schoenfeld

Chief Financial Officer

18 June 2018

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

1 Our opinion is unmodified

We have audited the financial statements of Telecom Plus PLC ("the Company") for the year ended 31 March 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated and Company Cash flow statements and Consolidated and Company Statement of Changes in Equity, and the related notes, including the accounting policies on pages 94 to 104.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were appointed as auditor by the shareholders on 20 February 2015. The period of total uninterrupted engagement is for the 4 financial years ended 31 March 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

OVERVIEW		
Materiality: group financial statements as a whole	£1.8m (2017: £1.65m)	
	4.5% (2017: 4.5% of reported profit before tax) of normalised group profit before tax from continuing operations	
Coverage	100% (2017: 100%) of group profit before tax from continuing operations	
RISKS OF MATERIAL MISSTATEMENT VS 2017		
Recurring risks	Energy revenue recognition	◀▶ unchanged
	Recoverability of parent Company's investment in subsidiaries (Parent)	◀▶

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

CONTINUED

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	THE RISK	OUR RESPONSE
Energy revenue recognition	Use of estimates	Our procedures included:
<p>(£617.8m; 2017 £576.2m)</p> <p>Refer to page 47 (Audit Committee Report), page 95 (critical accounting estimates), page 97 (accounting policy) and page 106 (financial disclosures).</p>	<p>Revenue recognised in relation to the supply of gas and electricity includes estimates of the usage of the energy supplied to customers between the date of the last meter reading and the year end. The method of estimating the usage is complex and judgmental, requiring estimates and assumptions to be made to assess the volume of energy supplied, which is sensitive to a number of factors, one of which includes any volatility in weather patterns.</p> <p>The risk of misstatement is that the accounting for the Group's estimated revenues does not appropriately reflect the underlying actual delivery of gas and electricity as at 31 March 2018 and as a result revenues may be misstated.</p>	<p>• Control design: testing the design, implementation and operating effectiveness of the Group's controls which include monitoring the accuracy of the billing systems estimation of energy usage;</p> <p>• Test of detail: for a sample of customers analysing the accuracy of the energy usage estimate at the year end by comparing actual usage, obtained from meter readings received between 15 March 2018 and 2 April 2018, with the billing system generated estimated usage for the same period;</p> <p>• Test of detail: assessing the volume and nature of customer complaints received in relation to estimated meter readings in order to identify whether any indicators exist of an underlying issue with the Group's estimation of energy usage; and</p> <p>• Assessing transparency: considering whether the critical accounting estimates, judgements and assumptions, and accounting policy disclosures properly reflect the judgements and estimates inherent in recognising revenue.</p> <p>Our results</p> <p>• We found the resulting estimate of energy revenue recognition to be acceptable (2017 result: acceptable).</p>

	THE RISK	OUR RESPONSE
Recoverability of parent Company's investment in subsidiaries (£262.0m; 2017: £227.1m) Refer to page 47 (Audit Committee Report), page 96 (critical accounting estimates), page 100 (accounting policy) and pages 113 to 115 (financial disclosures).	Low risk, high value The carrying amount of the parent company's investments in subsidiaries represents 99% (2017: 71%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: <ul style="list-style-type: none"> • Tests of detail: comparing the carrying amount of material investments within the draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. • Our sector experience: For the investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected value of the business based upon a simple discounted cash flow model. Our results <ul style="list-style-type: none"> • We found the Group's assessment of the recoverability of the investment in subsidiaries to be acceptable (2017 result: acceptable).

We continue to perform procedures over the Energy supply agreement intangible asset. Telecom Plus PLC have an established track record of performance and retention of customers within existing market conditions and as such that we have not identified an impairment indicator. We have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £1.8m (2017: £1.65m). The 2018 materiality has been determined with reference to a benchmark of group profit before tax from continuing operations of £39.8m, normalised to exclude a recovery of £1.2m of previously incurred costs relating to Electricity Market Reform levy costs, of which it represents 4.5% (2017: 4.5%).

Materiality for the parent company financial statements as a whole was set at £1.3m (2017: £1.5m), determined with reference to a benchmark of company total assets, of which it represents 0.5% (2017: 4.3% of group profit before tax from continuing operations). The change in materiality benchmark calculation between 2017 and 2018 is due to a movement in the trade and assets of that company to a newly incorporated company within the group.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £90,000 (2017: £82,500), in addition to other identified misstatements that warranted reporting on qualitative grounds.

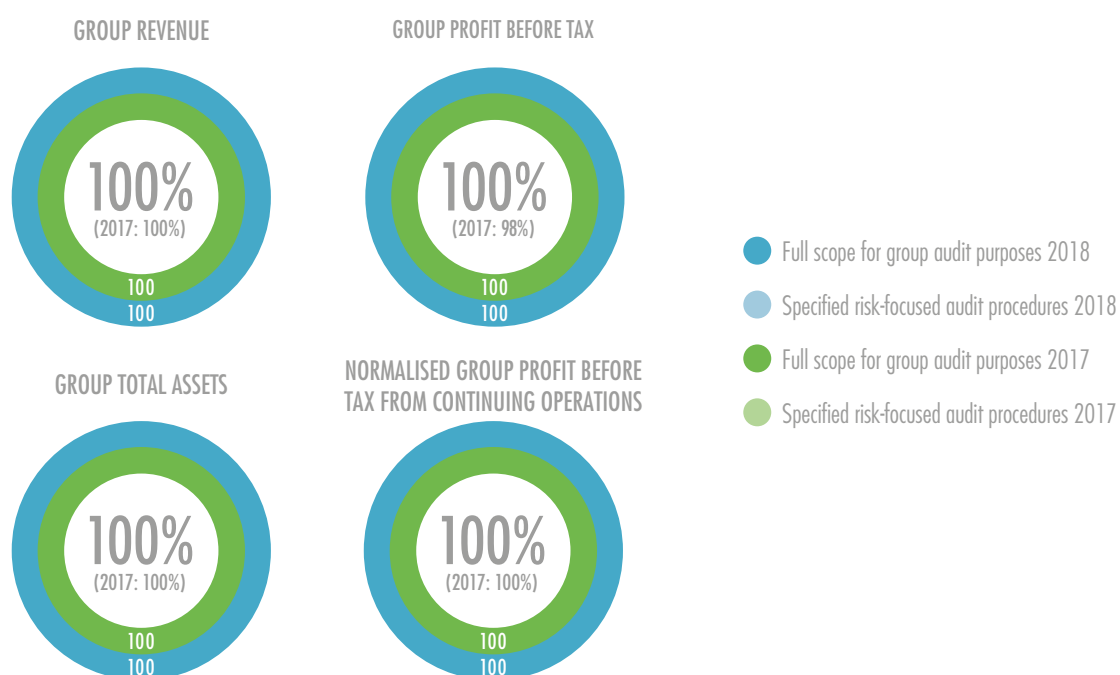
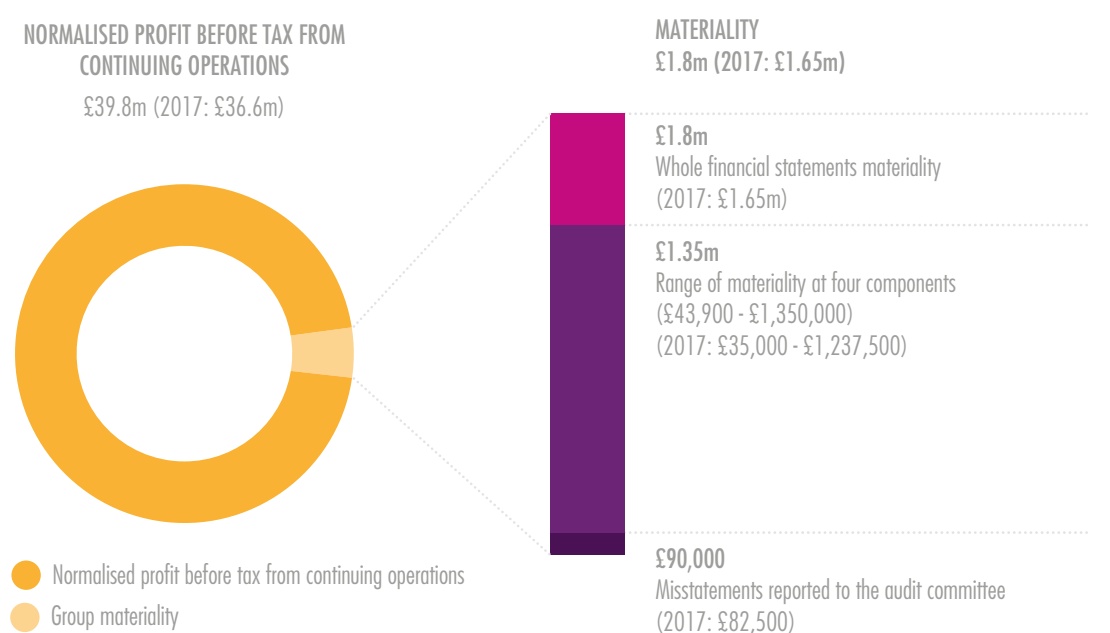
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELECOM PLUS PLC

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Four (2017: five) components were subjected to full scope audits, all conducted by the Group team, with a component materiality ranging from £43,900 to £1,350,000 (2017: £35,000 to £1,237,500). These components accounted for 100% of total Group revenue; 100% of Group profit before taxation and 100% of total Group assets.

In 2017 the Group audit team also performed specified risk-focused procedures over the share of profit of associate prior to its disposal, covering the revenue recognition policy and estimation of supply of energy to customers.

The group team performed procedures on the item excluded from normalised group profit before tax from continuing operations.



4 We have nothing to report on going concern

We are required to report to you if:

- We have anything material to add or draw attention to in relation to the directors' statement in the notes to the financial statements on page 94 on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on pages 77 to 78 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within Risk, Control and Viability Statement, page 77 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Risk, Control and Viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

CONTINUED

Under the Listing Rules we are required to review the Risk, Control and Viability statement. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6 We have nothing to report on the other matters on which we are required to report by exception

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.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on pages 79 to 80, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the group's regulatory and legal correspondence.

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

In addition we considered the impact of laws and regulations in the specific area of energy regulation recognising the nature of the Group's activities. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and other management and inspection of regulatory and legal correspondence. We considered the effect of any known or possible non-compliance in these areas as part of our procedures on the related financial statement items.

In addition we considered the impact of laws and regulations in the specific areas of health and safety, anti-bribery, employment law, recognising the nature of the group's activities. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and other management and inspection of regulatory and legal correspondence.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8 The purpose of our audit work and to whom we owe our responsibilities

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.

David Neale (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London E14 5GL
United Kingdom
18 June 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £'000	2017 £'000
<i>Continuing operations</i>			
Revenue	1	792,872	740,290
Cost of sales		(653,237)	(609,859)
Gross profit		139,635	130,431
Distribution expenses		(21,879)	(21,116)
Share incentive scheme charges		(60)	(101)
Total distribution expenses		(21,939)	(21,217)
Administrative expenses		(63,222)	(55,195)
Share incentive scheme charges		(1,971)	(1,084)
Amortisation of energy supply contract intangible		(11,228)	(11,228)
Total administrative expenses		(76,421)	(67,507)
Other income		629	449
Operating profit	1,2	41,904	42,156
Financial income		92	89
Financial expenses		(997)	(1,378)
Net financial expense		(905)	(1,289)
Profit before taxation		40,999	40,867
Taxation	4	(10,509)	(10,424)
Profit for period		30,490	30,443
<i>Discontinued operations</i>			
Profit for period from associate	8	-	64,517
Profit and other comprehensive income for the year attributable to owners of the parent		30,490	94,960
Basic earnings per share			
<i>Continuing operations</i>		38.8p	38.0p
<i>Discontinued operations</i>		-	80.6p
	16	38.8p	118.6p
Diluted earnings per share			
<i>Continuing operations</i>		38.6p	37.8p
<i>Discontinued operations</i>		-	80.1p
	16	38.6p	117.9p

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2018

	Note	2018 £'000	2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	5	29,165	31,117
Investment property	5	8,705	9,089
Intangible assets	6	181,110	190,575
Goodwill	7	3,742	3,742
Other non-current assets	10	16,274	15,593
Total non-current assets		238,996	250,116
Current assets			
Inventories		6,101	2,676
Trade and other receivables	11	37,788	29,812
Prepayments and accrued income	11	126,884	98,320
Cash		28,151	18,732
Total current assets		198,924	149,540
Total assets		437,920	399,656
Current liabilities			
Trade and other payables	13	(30,983)	(24,608)
Current tax payable		(5,210)	(5,407)
Accrued expenses and deferred income	14	(134,708)	(111,322)
Total current liabilities		(170,901)	(141,337)
Non-current liabilities			
Long term borrowings	12	(39,369)	-
Deferred tax	9	(635)	(605)
Total non-current liabilities		(40,004)	(605)
Total assets less total liabilities		227,015	257,714
Equity			
Share capital	15	3,930	4,024
Share premium		139,055	138,642
Capital redemption reserve		107	-
Treasury shares	15	(760)	(760)
JSOP reserve		(1,150)	(1,150)
Retained earnings		85,833	116,958
Total equity		227,015	257,714

These accounts were approved and authorised for issue by the Board on 18 June 2018

Andrew Lindsay

Director

Nick Schoenfeld

Director

COMPANY BALANCE SHEET

AS AT 31 MARCH 2018

	Note	2018 £'000	2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	5	-	31,117
Investment property	5	-	9,089
Intangible assets	6	-	3,439
Investments in subsidiary undertakings	8	262,037	227,097
Other non-current assets	10	2,956	9,528
Total non-current assets		264,993	280,270
Current assets			
Inventories		-	2,600
Trade and other receivables	11	14	12,476
Prepayments and accrued income	11	13	8,023
Cash		3	18,368
Total current assets		30	41,467
Total assets		265,023	321,737
Current liabilities			
Trade and other payables	13	(63,651)	(41,278)
Current tax payable		-	(5,405)
Accrued expenses and deferred income	14	(9)	(9,462)
Total current liabilities		(63,660)	(56,145)
Non-current liabilities			
Deferred tax	9	-	(609)
Total non-current liabilities		-	(609)
Total assets less total liabilities		201,363	264,983
Equity			
Share capital	15	3,923	4,024
Share premium		139,055	138,642
Capital redemption reserve		107	-
Treasury shares	15	(760)	(760)
Retained earnings		59,038	123,077
Total equity		201,363	264,983

These accounts were approved and authorised for issue by the Board on 18 June 2018

Andrew Lindsay
Nick Schoenfeld

Director
Director

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Operating activities				
Profit/(loss) before taxation – continuing operations	40,999	40,867	(393)	38,256
Adjustments for:				
Net financial expense	905	1,289	-	1,320
Depreciation of property, plant and equipment	3,362	3,203	-	3,203
Profit on disposal of fixed assets	(1)	(21)	-	(21)
Amortisation of intangible assets	12,244	12,088	-	860
Amortisation of debt arrangement fees	229	229	-	229
(Increase)/decrease in inventories	(3,425)	86	-	162
(Increase)/decrease in trade and other receivables	(38,071)	(4,084)	(22)	3,570
Increase/(decrease) in trade and other payables	29,784	(5,241)	19	(473)
Increase/(decrease) in inter-company payable	-	-	63,626	(1,443)
Share incentive scheme charges	2,031	1,185	-	1,185
Corporation tax paid	(10,675)	(6,190)	-	(3,429)
Net cash flow from operating activities	37,382	43,411	63,230	43,419
Investing activities				
Purchase of property, plant and equipment	(1,028)	(2,066)	-	(2,066)
Purchase of intangible assets	(2,779)	(3,406)	-	(3,406)
Disposal of property, plant and equipment	3	60	-	60
Payment of deferred consideration	-	(21,500)	-	(21,500)
Disposal of associated company	-	71,103	-	71,103
Distribution from associated company	-	5,074	-	5,074
Purchase of shares in associated company	-	(55)	-	(55)
Interest received	81	91	-	46
Cash flow from investing activities	(3,723)	49,301	-	49,256
Financing activities				
Dividends paid	(38,273)	(37,633)	(38,273)	(37,633)
Interest paid	(1,020)	(1,370)	-	(1,356)
Drawdown of long term borrowing facilities	40,000	-	-	-
Repayment of long term borrowing facilities	-	(71,241)	-	(71,241)
Issue of new B shares in subsidiary	7	-	-	-
Issue of new ordinary shares	419	921	419	921
Purchase of own shares	(25,373)	-	(25,373)	-
Cash flow from financing activities	(24,240)	(109,323)	(63,227)	(109,309)
Increase/(decrease) in cash and cash equivalents	9,419	(16,611)	3	(16,634)
Net cash and cash equivalents at the beginning of the year	18,732	35,343	18,368	35,002
Cash balances transferred to subsidiary	-	-	(18,368)	-
Net cash and cash equivalents at the year end	28,151	18,732	3	18,368

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

Consolidated	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares £'000	JSOP reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2016	4,016	137,729	-	(760)	(1,150)	58,446	198,281
Profit and total comprehensive income	-	-	-	-	-	94,960	94,960
Dividends	-	-	-	-	-	(37,633)	(37,633)
Credit arising on share options	-	-	-	-	-	1,185	1,185
Issue of new ordinary shares	8	913	-	-	-	-	921
Balance at 31 March 2017	4,024	138,642	-	(760)	(1,150)	116,958	257,714
Profit and total comprehensive income	-	-	-	-	-	30,490	30,490
Dividends	-	-	-	-	-	(38,273)	(38,273)
Credit arising on share options	-	-	-	-	-	2,031	2,031
Issue of new ordinary shares	6	413	-	-	-	-	419
Issue of B shares in subsidiary	7	-	-	-	-	-	7
Purchase of cancelled shares	(107)	-	107	-	-	(25,373)	(25,373)
Balance at 31 March 2018	3,930	139,055	107	(760)	(1,150)	85,833	227,015

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

Company	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2016	4,016	137,729	-	(760)	55,099	196,084
Profit and total comprehensive income	-	-	-	-	104,426	104,426
Dividends	-	-	-	-	(37,633)	(37,633)
Credit arising on share options	-	-	-	-	1,185	1,185
Issue of new ordinary shares	8	913	-	-	-	921
Balance at 31 March 2017	4,024	138,642	-	(760)	123,077	264,983
Profit and total comprehensive income/(loss)	-	-	-	-	(393)	(393)
Dividends	-	-	-	-	(38,273)	(38,273)
Issue of new ordinary shares	6	413	-	-	-	419
Purchase of cancelled shares	(107)	-	107	-	(25,373)	(25,373)
Balance at 31 March 2018	3,923	139,055	107	(760)	59,038	201,363

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

GENERAL INFORMATION

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 2018 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 18 June 2018.

PRESENTATION OF FINANCIAL STATEMENTS

As a result of the relative size and historical volatility of share incentive scheme charges it has been decided to separately disclose the amounts on the face of the Consolidated Statement of Comprehensive Income.

In view of the size and nature of the charge as a non-cash item, the amortisation of energy supply contract intangible asset has also been separately disclosed on the face of the Consolidated Statement of Comprehensive Income for the period. More information regarding the intangible asset is set out in note 6 of these financial statements.

SIGNIFICANT ACCOUNTING POLICIES

(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 International Financial Reporting Interpretations Committee ('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 Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 36. 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 within notes 12 and 19 to the financial statements. In addition, notes 15 and 19 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.

Under the revised energy supply arrangements which were effective from 1 December 2013, npower continues to be responsible for funding the principal working capital requirements relating to the supply of energy to the Company's Members. This includes funding the Budget Plans of Members who pay for their energy in equal monthly instalments and pre-funding the payment of certain energy network charges.

The Company has from Barclays Bank PLC and Lloyds Bank PLC total revolving credit facilities of £150.0 million for the period to 14 December 2020 of which £40 million was drawn down as at 31 March 2018 (2017: £Nil drawn down).

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

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.

The accounting policies set out below have been consistently applied to both years presented, unless otherwise stated. The financial statements have been prepared on a historical costs basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation (continued)

Group reorganisation

On 1 April 2017 the trading activities, the majority of the assets and liabilities, and the employees of Telecom Plus PLC, as well as all its subsidiaries, were transferred to Utility Warehouse Limited a 100% subsidiary of Telecom Plus PLC under a group reorganisation ("the Group Reorganisation"). The reorganisation was designed to provide the Group with a more conventional legal structure in line with other large publicly-listed entities. The reorganisation has not had any impact on the consolidated trading results of the Group.

The Group Reorganisation represented a transfer of trade and assets to a company ultimately controlled by the same parties and was therefore deemed a common control transaction and as such outside the scope of IFRS 3. As is typical for UK companies, and consistent with the guidance in FRS 102, the Group decided to adopt the principles of merger accounting in relation to the Group Reorganisation. The assets (including subsidiaries) and liabilities of Telecom Plus PLC were therefore transferred to group entity Utility Warehouse Limited at their previous carrying amounts in exchange for shares in Utility Warehouse Limited. Telecom Plus PLC now holds an investment in Utility Warehouse Limited on its balance sheet which represents the carrying value of the assets and liabilities transferred at the date of transfer. Utility Warehouse Limited recognised a share premium on the issue of shares exchanged for the assets and liabilities transferred equal to the carrying value of the assets and liabilities transferred less the nominal value of the shares issued.

Post balance sheet events

On 31 May 2018 the Group acquired 75% of the ordinary share capital of Glow Green Limited, a small fast-growing supplier/installer of domestic gas boilers and warranty/care plans for consideration of £1.5 million, plus a £0.5 million repayable working capital loan facility ("the Transaction"). The Group also acquired 75% of the share capital of Cofield Limited as part of the Transaction. Cofield Limited was under the same ownership as Glow Green Limited and is a small online retailer of central heating equipment to the plumbing industry. Due to the proximity to the end of the accounting period, the fair value accounting in relation to the Transaction has not been finalised.

Critical accounting estimates, judgements and assumptions

In the process of applying the Group's accounting policies, which are described below, the Directors have made judgements, estimations and assumptions regarding the future. The judgements, estimations, and assumptions that have the most significant impact on the amounts recognised in the financial statements are detailed below.

Estimates and judgements are evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In future, actual results may differ from these estimates and assumptions.

Significant estimates

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the year in which the estimates are revised and in any future years affected. The areas involving significant risk resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) Revenue recognition

Revenue relating to the sale of energy includes an estimate of the value of electricity or gas supplied to customers between the date of the last meter reading and the year end. This will have been estimated by using historical consumption patterns, prevailing weather data and other industry information. The revenue subject to this estimation is £617.8m (2017: £576.2m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation (continued)

Whilst the estimation routines are currently considered appropriate, a significant change in historical consumption patterns and/or a failure to maintain the accuracy of the estimation routines could impact the amount of revenue recognised.

(ii) Trade receivables

Trade receivables largely represent customers who have energy debt assigned to a prepayment meter, or are in the process of having such a meter installed. This requires the Directors to make estimates and judgements as to the expected level of eventual debt recovery from these customers based on historical experience. While the provisions are currently considered to be appropriate, changes in estimation basis or in economic and regulatory conditions could lead to a change in the level of provisions recorded and consequently on the charge or credit to the statement of comprehensive income.

(iii) Parent Company Investments

Investments in subsidiary undertakings in the parent Company accounts represent Telecom Plus PLC's investment in Utility Warehouse Limited following the Group reorganisation described above. The valuation of the investment represents a significant area of judgement as certain key assumptions are required in relation to the future financial performance of Utility Warehouse Limited and its subsidiaries.

Significant judgements

The key judgements made by management in the process of applying the Group's accounting policies are set out below.

(i) Metering contracts

In 2017, as part of the smart meter rollout, the Group renewed rental arrangements with third-parties. The Group assessed that these are not leases because it does not have the right to physically or operationally control the smart meters, other parties also take a significant amount of output from the assets, and when customers switch energy supplier, the responsibility for paying the third parties transfers to the new supplier.

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 loss for the year of £393,000 (2017: profit of £104,426,000).

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

- 2017 Disclosure Initiative (Amendment to IAS 7).
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12).
- Annual Improvements to IFRS Standards 2014-2016 Cycle (Amendments to IFRS 12 Disclosure of Interests in Other Entities).

(c) Basis of consolidation

(i) Subsidiaries

The Group's financial statements consolidate the financial statements of Telecom Plus PLC and its subsidiaries. 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.

Control is recognised where an investor is expected to receive, or has rights to, variable returns from its investment in the investee and has the ability to affect these returns through its power over the relevant activities of the investee. Transactions between Group companies are eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of consolidation (continued)

(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 and adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate are not recognised. The Company's investment in associate Opus Energy Group Limited was sold during the prior year.

(iii) Employee Benefit Trusts

In accordance with IFRS 10 Consolidated Financial Statements, the assets and liabilities of employee benefit trusts are consolidated in the Group financial statements. Employee benefit trusts are treated as a legal entity separate from the Company but as subsidiaries of the Company. Any loans made by the Company to employee benefit trusts are accounted for as loans in accordance with the relevant terms. When the trust transfers shares to employees to satisfy share incentive scheme awards, this is considered to be, in substance, two transactions: a distribution of the shares from the employee benefit trust back to the Company as treasury shares, followed by a distribution of those shares to the employees.

(d) Revenue

Overview

Revenue is the value of goods and services supplied to external customers and Partners excluding value added tax and other sales related taxes. For each of the Group'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 or the supply of goods takes place. The Group's customers are invoiced in the month following that in which the services are provided.

The Group also generates revenue as a result of providing bill payment protection and accidental death cover to customers for a monthly fee. The Group does not retain the insurance risk for these services.

Tariffs are set by Member, by service, and these can vary depending on the number of services provided. Each element of any package is priced independently to arrive at the total package price.

Revenue recognition – Energy services

The recognition of revenue associated with the provision of gas and electricity services to customers by the Group relies on estimates of usage where meter readings are not available. These estimates are based on historical usage information adjusted for known factors such as variations in weather. Revenue is recognised during the period in which the services are supplied and any unbilled revenue is accrued at each period end.

Revenue recognition – Telephony services

The Group principally generates revenue from providing the following telecommunications services: (i) fixed telephony line rental, call and broadband data charges; and (ii) mobile telephony call and data charges, and mobile handset sales. Both the handset and service are priced on a standalone selling price basis. Revenue is recognised during the period in which the services are supplied and any unbilled revenue is accrued at each period end. Revenue for mobile handset sales are recognised when the devices are delivered to the end customer and the sale is considered complete.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue (continued)

Revenue recognition – CashBack card services

In relation to CashBack cards, the following revenue streams are recognised by the Group at the time the services are supplied and charged to Members: (i) a small administrative charge for facilitating the issue of each CashBack card; (ii) a small fixed monthly fee to cover provision of card management services; and (iii) transaction fees to cover the facilitation of the top-up of customer cards. The majority of the CashBack received from the CashBack card programme manager is passed to Members to reduce the payment they are required to make to the Group for their monthly utilities. However, the Group recognises as revenue any excess CashBack received from the CashBack card programme manager which is not passed through to Members.

Revenue recognition – Bill protection and life cover, and home insurance services

The Group charges customers a small monthly fee for bill payment protection in the event of redundancy and for a small amount of monthly life insurance cover. The Group has also started to offer home insurance services to Members. In relation to the provision of bill protection and life cover, and home insurance the Group does not retain any underwriting risk and therefore acts as an agent of the underlying insurer. The Group therefore recognises revenues on a commission income basis each month as the services are supplied.

Revenue recognition – Other services

The Group also generates revenues from providing Members with paper bills and from charging Members late payment fees. In addition, the Group generates revenues from providing services to its network of Partners. Revenue is recognised during the period in which the services are supplied, or the late payment fees are incurred, and any unbilled revenue is accrued at each period end.

(e) Distributor commissions

The Group's Partners earn commissions mainly on the introduction of new customers to the Group and on the ongoing monthly use of the Group's services by the customers they have introduced. Commissions are recognised in the Statement of Comprehensive Income as they are earned by distributors on an accruals basis. In relation to certain multi-service customers, distributors are able to bring forward the payment of a limited number of future monthly commission payments expected to be due on the usage of customers they have introduced. These advanced commission payments are held on the Balance Sheet as prepayments and are amortised on a straight-line basis through the Statement of Comprehensive Income over the period during which they are earned and would otherwise have been paid had the payment not been brought forward.

(f) Financial income and expenses

Financial income comprises interest income and is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest rate method. Financial expenses comprise bank interest and non-utilisation fees associates with the Company's debt facilities.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Taxation (continued)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially 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.

(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
Freehold and leasehold improvements	3 to 25 years
Plant and machinery	15 years
Fixtures, fittings and office equipment	
- Fixtures and fittings	7 to 10 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) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation. Rental income from investment properties is accounted for on an accruals basis.

(l) Intangible assets

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

IT, software and web development costs are capitalised as intangible assets to the extent that certain projects can be separately identified and involve the production of new and/or enhanced systems that the Company will use over the medium term. It must also be considered probable that the asset will generate future economic benefits, and the development cost can be measured reliably. Where these conditions are not met, development expenditure is recognised as an expense in the year in which it is incurred. Directly attributable costs that are capitalised include employee and external costs specifically incurred in the development of the intangible asset. These costs are amortised on a straight-line basis over their estimated useful economic lives of up to 5 years when each system is brought into use by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Goodwill

Goodwill arising on the acquisition of a business, representing the difference between the fair value of consideration 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.

(n) 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.

(o) 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.

(p) Inventories

Inventories principally include smart electricity and gas meters, mobile telephones, LED light bulbs and other electronic equipment and are valued at the lower of cost 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.

(q) 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 the 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 the trade date when the Group is no longer a party to the contractual provisions of the instrument.

(r) Trade receivables

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

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits with banks and, for the purposes of the Cash Flow Statement, short term revolving credit facilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Borrowings

Short and long term borrowings comprise revolving credit facilities and bank loans. The fees associated with entering into borrowing facilities are capitalised and netted off against borrowings and amortised over the term of the borrowings.

(u) 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.

(v) 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 (LTIP 2016: Monte-Carlo 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.

(w) Segmental reporting

Financial information on operating segments that corresponds with information regularly reviewed by the chief operating decision maker, Chief Executive Mr Andrew Lindsay, is disclosed in note 1 to the accounts.

(x) 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.

(y) 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.

(z) 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.

(aa) New standards issued but not yet effective

The Group has not yet applied the following standard as it is not yet effective in the consolidated Group financial statements and remains subject to endorsement by the EU:

- IFRS 16: Leases, effective for the year ending 31 March 2020.

The following standards are not yet effective in the consolidated Group financial statements but have been endorsed by the EU:

- IFRS 9: Financial instruments, effective for the year ended 31 March 2019; and
- IFRS 15: Revenue from contracts with customers, effective for year ended 31 March 2019.

IFRS 9: Financial instruments

The Group will adopt IFRS 9 Financial Instruments from 1 April 2018. IFRS 9 sets out guidance on the classification and measurement of financial assets, including impairment, and supplements the hedge accounting principles published in 2013. The standard replaces IAS 39 Financial Instruments: Recognition and measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) New standards issued but not yet effective (continued)

IFRS 9 establishes that an expected credit loss model should be applied that will result in a day one loss on initial recognition of trade receivables or contract assets that arise from transactions in the scope of IFRS 15.

IFRS 9 allows the use of practical expedients when measuring expected credit losses, and states that a provision matrix is an example of such an expedient for trade receivables. The standard considers that an entity applying a provision matrix might, for example, consider whether it is appropriate to segment trade receivables for different customer segments based on a variety of criteria.

The Group is not required to use hedge accounting and therefore the key areas of the Group accounts that have been identified as applicable to IFRS 9 are trade receivables, accrued income, contract assets and loans made.

In relation to trade receivables and accrued income the Group already makes a day one provision for losses on initial recognition and is therefore applying the principles of IFRS 9. In relation to certain contract assets and loans made, under IFRS 9 it is likely that the Group will need to recognise a provision on day one to reflect the level of recoverability of such balances as they are invoiced/demanded. The impact of recognising such provisions on day one will require an adjustment to opening reserves but this is not expected to be material.

IFRS 15: Revenue from contracts with customers

The Group will adopt IFRS 15 Revenue from Contracts with Customers from 1 April 2018. IFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

Under IFRS 15, the core principle is that an entity recognises revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For bundled packages, IFRS 15 requires the Group to account for individual goods and services separately if they are distinct – ie: broadly, if the customer can benefit from the goods and/or services on their own or together with other readily available resources. The transaction price is allocated between separate goods and services in a bundle based on their stand-alone selling prices. Revenue is then recognised when the Group transfers control of a good or service to a customer. IFRS 15 also requires the Group to recognise any incremental costs of obtaining a contract to be capitalised and amortised on a systematic basis.

The Group will adopt IFRS 15 using the modified retrospective approach. Consequently comparatives for the year ended 31 March 2018 will not be restated.

Impact of adoption

The process of implementing the new requirements requires changes to certain processes and controls within the revenue cycle. Such changes entail a high degree of complexity due to various factors including the high volume of contracts, numerous data sources and the requirement to make complex estimates.

From the analysis performed on contracts existing at the financial year ended 31 March 2018, the Group estimates that adoption of IFRS 15 will have a limited impact on the results of the Group, estimated at less than 0.5% of Group revenue, with the main change relating to the requirement to attribute revenue to the provision of Daffodil lightbulbs (see below).

As part of its assessment on the impact of adopting IFRS 15, the Group has specifically considered the following contractual matters.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) New standards issued but not yet effective (continued)

Areas of identified change

Sale of goods <i>Daffodil lightbulbs</i>	<p>In marketing the sale of bundled services, the Group offers most “Double Gold” and certain “Gold” customers the provision and installation of LED lightbulbs throughout their homes (the ‘Daffodil’ scheme). Under IAS 18, no up-front revenue is separately recognised for the provision of lightbulbs, and the associated costs are recognised as incurred.</p> <p>The Group’s assessment indicates that the provision of Daffodil lightbulbs is distinct from the provision of the other bundled goods and services. This will result in an allocation of revenue to the lightbulbs, which will be recognised as control of the lightbulbs is passed to the customer – ie: at the point of installation by a Utility Warehouse fitter.</p> <p>Whilst quantification of the impact is ongoing, due to the position in the Daffodil lifecycle, it is expected that this will lead to a one-off increase in the Group’s retained earnings at 1 April 2018 as revenue will be brought forward on installation of the Daffodil lightbulbs. As the Daffodil lifecycle comes to an end and the number of installations falls away, the overall effect will be lower revenues and profit in periods thereafter compared to the current accounting method.</p>
Sale of goods <i>Broadband routers</i>	<p>In the provision of broadband services, the Group provides its customers with a broadband router at the start of their contract. Under IAS 18, no up-front revenue is separately recognised for the provision of routers, and the associated costs are recognised as incurred.</p> <p>Under IFRS 15, as the routers provided by the Group can be used with other service providers, they are considered to be distinct from the provision of broadband services. This will result in an allocation of revenue to the broadband routers, which will be recognised as control of the routers is passed to the customer – ie: on receipt of the router. There will be a corresponding reduction compared to current accounting in revenues from broadband services over the remaining contractual term.</p> <p>Whilst quantification of the impact is ongoing, due to the value of most routers provided and the maturity of the business, it is expected that this will not have a material effect on either the Group’s revenue or retained earnings at 1 April 2018.</p>
Commissions	<p>Management considers commissions paid to Partners to be incremental costs of obtaining a contract. The Group’s services are promoted by a large network of independent distributors. The Group’s independent distributors earn commissions primarily on the introduction of new customers to the Group (‘upfront commissions’) and on the ongoing monthly use of the Group’s services by the customers they have introduced (‘trailing commissions’). Currently, upfront commissions and trailing commissions are recognised as an expense as they are incurred.</p> <p>Under IFRS 15, it is anticipated that upfront commissions will need to be capitalised and amortised over the expected life of the customer, however the Group’s current assessment indicates that this will not have a significant impact on the Group’s profits.</p>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Areas of identified change (continued)

CashBack card scheme	<p>The Group operates a CashBack card scheme, whereby a pre-paid payment card is provided to customers through a third-party e-money issuer. Customers earn cashback on any spend at retailers that are part of the scheme. The cashback earned is applied against the customers' subsequent non-energy service bills. The Group charges various fees to the customer for operating the scheme, including initial application fees, monthly management fees and other transactional based fees.</p> <p>Under IFRS 15, as the initial application fee is considered to be a non-refundable upfront fee that does not relate to the transfer of a promised good or services, the associated fee will be recognised over the anticipated future services, being the average customer tenure.</p> <p>Whilst quantification of the impact is ongoing, due to the low value of initial application fees and the maturity of the business, it is currently expected that this will not have a material effect on either the Group's revenue or retained earnings at 1 April 2018.</p>
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Specific areas of consideration with no identified change

Rendering of services <i>Principal vs Agent</i>	<p>In providing energy services, the Group has considered the updated principal versus agent guidance introduced by IFRS 15 and specifically whether the Group controls the service prior to transfer to the customer. Whilst the Group is not a generator of energy, in supplying energy to the customer it is considered to be primarily responsible for fulfilment of the service and in doing so has discretion in establishing the price of the service. Consequently the Group considers that continuing to recognise revenue as principal under IFRS 15 is appropriate.</p>
Sale of goods <i>Mobile handsets</i>	<p>Under IFRS 15, where services and goods are transferred to the customer, any embedded discount within the total consideration is allocated to each distinct good and service based on their stand-alone selling prices.</p> <p>To the extent that mobile contracts do not include a discount on either the handset or service, and handset revenues are already recognised on transfer of the asset to the customer, no adjustment to the existing accounting treatment has been identified on transition to IFRS 15.</p>
Significant financing	<p>The Group considers, in most instances, the contract term for contracts including the rendering of services and sale of goods to be one month. However, where the contract term is considered to be over twelve months, the Group has assessed that the majority of contracts issued do not include a significant financing component.</p>

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 mainly comprise sales of equipment including mobile phone handsets and wireless internet routers to customers. Customer Management revenues are principally derived from the supply of fixed telephony, mobile telephony, gas, electricity, internet services and home insurance 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 – continuing operations

	Year ended 31 March 2018			Year ended 31 March 2017		
	Customer Management £'000	Customer Acquisition £'000	Total £'000	Customer Management £'000	Customer Acquisition £'000	Total £'000
Revenue	776,087	16,785	792,872	722,748	17,542	740,290
Segment result	59,859	(17,955)	41,904	60,445	(18,289)	42,156
Operating profit			41,904			42,156
Net financing expense			(905)			(1,289)
Profit before taxation			40,999			40,867
Taxation			(10,509)			(10,424)
Profit for the year from continuing operations			30,490			30,443
Segment assets	428,447	9,473	437,920	390,639	9,017	399,656
Total assets	428,447	9,473	437,920	390,639	9,017	399,656
Segment liabilities	(207,567)	(3,338)	(210,905)	(138,850)	(3,092)	(141,942)
Net assets			227,015			257,714
Capital expenditure	(3,727)	(80)	(3,807)	(5,343)	(129)	(5,472)
Depreciation	3,291	71	3,362	3,127	76	3,203
Amortisation	12,244	-	12,244	12,088	-	12,088

Statutory operating profit is stated after deducting share incentive scheme charges (£2.0m) and the amortisation of the energy supply contract intangible asset (£11.2m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SEGMENT REPORTING (CONTINUED)

Revenue by service

	2018 £'000	2017 £'000
Customer Management		
- Electricity	337,461	310,370
- Gas	280,293	265,822
- Fixed communications	114,050	106,653
- Mobile	30,828	27,500
- Other	13,455	12,403
	776,087	722,748
Customer Acquisition	16,785	17,542
	792,872	740,290

The Group operates solely in the United Kingdom.

2. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2018 £'000	2017 £'000
Depreciation and amortisation	15,606	15,291
Profit on disposal of fixed assets	(1)	(21)
Operating lease rentals - land and buildings	98	101
Auditor's remuneration - audit of Company and consolidated accounts	159	136
- audit of subsidiaries of the Company	46	40
- audit related assurance services	28	29
- other services	-	103
Inventories expensed	19,538	18,159
Receivables and accrued income impairment cost	8,846	7,827
Recovery of smart meter rollout costs previously incurred	-	(4,188)
Recovery of EMR levy costs previously incurred	(1,169)	-
Rental income	(629)	(449)

Total fees paid to the auditor KPMG LLP during the year were £233,000 (2017: £308,000), including non-audit services of £28,000 (2017: £132,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PERSONNEL EXPENSES

The total charge in the Statement of Comprehensive Income comprised the following:

	2018 £'000	2017 £'000
Wages and salaries	36,772	31,501
Social security costs	3,642	3,084
Pension contributions	704	674
	41,118	35,259
Share incentive scheme charges	1,971	1,084
	43,089	36,343

Average number employed by the Group during the year (excluding directors):

	2018	2017
Customer Acquisition	133	123
Customer Management	1,044	926
	1,177	1,049

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. TAXATION

(i) Recognised in the Statement of Comprehensive Income

	2018 £'000	2017 £'000
Current tax charge		
Current year	10,490	10,739
Adjustments for prior years	(11)	(81)
	10,479	10,658
Deferred tax charge		
Decelerated capital allowances	10	96
Increase/(reduction) in respect of share options	27	(300)
Reduction in rate of future taxes	-	(47)
Adjustment for prior years	(7)	17
	30	(234)
Total tax charge	10,509	10,424

(ii) Reconciliation of total tax charge

	2018 £'000	2017 £'000
Profit before tax – continuing operations	40,999	40,867
Profit for period from associate – discontinued operations	-	64,517
Accounting profit before tax	40,999	105,384
Corporation tax using the UK corporation tax rate of 19% (2017: 20%)	7,790	21,077
Expenses not deductible for taxation purposes	2,475	2,614
Adjustment in respect of share options	284	(288)
Share of associate's tax charge	-	(440)
Income not taxable for tax purposes – disposal of Opus	-	(12,464)
Reduction in rate of future taxes	(29)	(11)
Adjustments in respect of prior years - current tax	(11)	(81)
- deferred tax	-	17
Total tax charge	10,509	10,424

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 17% (effective 1 April 2020) were substantively enacted on 26 October 2015 and 6 September 2016 respectively. This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 31 March 2018 has been calculated based on these rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. PROPERTY, PLANT AND EQUIPMENT

	Investment property £'000	Freehold land & buildings £'000	Freehold & leasehold improvements £'000	Plant & machinery £'000	Fixtures, fittings & office equipment £'000	Motor vehicles £'000	Total £'000
Group							
2018							
Cost							
At 1 April 2017	13,024	27,383	751	705	10,818	1,484	54,165
Additions	78	-	13	4	890	43	1,028
Disposals	-	-	-	-	-	(4)	(4)
At 31 March 2018	13,102	27,383	764	709	11,708	1,523	55,189
Depreciation							
At 1 April 2017	(3,935)	(1,840)	(692)	(90)	(6,818)	(584)	(13,959)
Charge for the year	(462)	(854)	(39)	(48)	(1,713)	(246)	(3,362)
Disposals	-	-	-	-	-	2	2
At 31 March 2018	(4,397)	(2,694)	(731)	(138)	(8,531)	(828)	(17,319)
Net book amounts							
At 31 March 2018	8,705	24,689	33	571	3,177	695	37,870

The Company no longer holds any property, plant and equipment following the Group reorganisation in April 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Investment property £'000	Freehold land & buildings £'000	Freehold & leasehold improvements £'000	Plant & machinery £'000	Fixtures, fittings & office equipment £'000	Motor vehicles £'000	Total £'000
Group and Company							
2017							
Cost							
At 1 April 2016	12,678	27,352	750	689	11,405	1,521	54,395
Transfers to intangibles	-	-	-	-	(2,165)	-	(2,165)
Additions	346	31	1	16	1,578	94	2,066
Disposals	-	-	-	-	-	(131)	(131)
At 31 March 2017	13,024	27,383	751	705	10,818	1,484	54,165
Depreciation							
At 1 April 2016	(3,467)	(988)	(631)	(44)	(6,567)	(424)	(12,121)
Transfers to intangibles	-	-	-	-	1,272	-	1,272
Charge for the year	(468)	(852)	(61)	(46)	(1,523)	(253)	(3,203)
Disposals	-	-	-	-	-	93	93
At 31 March 2017	(3,935)	(1,840)	(692)	(90)	(6,818)	(584)	(13,959)
Net book amounts							
At 31 March 2017	9,089	25,543	59	615	4,000	900	40,206
At 31 March 2016	9,211	26,364	119	645	4,838	1,097	42,274

IT software and web development assets previously included in Fixtures, fittings and office equipment were transferred to intangible assets in the year to 31 March 2017 (see note 6).

The operations of the Company were transferred into newly refurbished head offices at Merit House in 2015 and the former head office building, Southon House, was vacated. Southon House is therefore now held as an investment property and separately disclosed on the balance sheet of the Company.

An independent valuation of Southon House was conducted at 30 September 2015 in accordance with RICS Valuation – Professional Standards UK January 2014 (revised April 2015) guidelines. The independent market value of Southon House was determined to be £10.2 million and has been categorised as a Level 3 fair value based on the inputs to the valuation technique used. The valuation was prepared on a Market Value basis as defined in the Valuation Standards and was primarily derived from using comparable market transactions carried out on an arm's length basis. These inputs are deemed unobservable.

The directors believe that there have not been any material changes in circumstances that would lead to a significant change in the market valuation of Southon House since 30 September 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. INTANGIBLE ASSETS

Group	Energy Supply Contract £'000	IT Software & Web Development £'000	Total £'000
Cost			
At 1 April 2017	224,563	5,571	230,134
Additions	-	2,779	2,779
At 31 March 2018	224,563	8,350	232,913
Amortisation			
At 1 April 2017	(37,427)	(2,132)	(39,559)
Charge for the period	(11,228)	(1,016)	(12,244)
At 31 March 2018	(48,655)	(3,148)	(51,803)
Net book amount at 31 March 2018	175,908	5,202	181,110
Net book amount at 31 March 2017	187,136	3,439	190,575

The Energy Supply Contract intangible asset relates to the entering into of the new energy supply arrangements with npower on improved commercial terms through the acquisition by the Company of Electricity Plus Supply Limited and Gas Plus Supply Limited ('the Companies') from npower Limited having effect from 1 December 2013 ('the Transaction').

The total consideration for the Transaction comprised a payment to npower of £196.5 million on 20 December 2013, a deferred amount of £21.5 million paid in December 2016 and a payment of £2.5 million made in January 2014 for the net assets acquired in the Companies which comprised cash and short term working capital balances.

The addition to intangible assets of £221.6 million in 2014 therefore represented the total consideration paid and payable to npower, excluding the payment for net assets acquired in the Companies, plus certain transaction costs of £3.6 million which in accordance with the relevant accounting standards were recognised as a cost of acquisition.

The intangible asset is being amortised evenly over the 20 year life of the new energy supply agreement reflecting the period over which the Company will benefit from the agreement.

The Board regularly monitors the carrying amount of the intangible assets. A review was undertaken at 31 March 2018 to assess whether the carrying amount of intangible 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.

A pre-tax discount rate of 8.6% was used which was considered appropriate given the expectation that, for term of the contract, the Group will continue to derive significant value from supplying energy to its customers. The result of the review undertaken at 31 March 2018 indicated that no impairment was necessary. No reasonably possible change in the assumptions used in the impairment calculation would give rise to an impairment of intangible assets.

The IT Software and Web Development intangible asset relates to the capitalisation of certain costs associated with the development of new IT and web systems. Approximately £2.6 million (2017: £1.3m) of the additions during the year relate to IT systems which remain under construction.

Following the Group re-organisation there are no intangible assets held by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. GOODWILL

Group	£'000
2018	
Cost	
At 1 April 2017 and 31 March 2018	4,558
Impairment	
At 1 April 2017 and 31 March 2018	816
Carrying amounts	
At 31 March 2018	3,742
2017	
Cost	
At 1 April 2016 and 31 March 2017	4,558
Impairment	
At 1 April 2016 and 31 March 2017	816
Carrying amounts	
At 31 March 2017	3,742
At 31 March 2016	3,742

Goodwill relates to the Company's subsidiary Telecommunications Management Limited ('TML') cash generating unit, which is included within the Customer Management operating segment.

The Group regularly monitors the carrying amount of its goodwill. A review was undertaken at 31 March 2018 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.

A pre-tax discount rate of 12.3% into perpetuity was used which was considered appropriate given the relatively small size of the business and the expectation that, for the foreseeable future, TML will continue to operate as a going concern. However, no growth has been assumed in the review given the relative maturity of the business. The result of the review undertaken at 31 March 2018 indicated that no impairment was necessary. No reasonably possible change in the assumptions used in the impairment calculation would give rise to an impairment of goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INVESTMENTS

Fixed asset investments

The investment in the associate represented the cost of purchasing a 20% equity interest in the ordinary share capital of Opus Energy Group Limited ('Opus'), together with the Group's share of retained reserves. The Company's 20% investment in Opus was sold on 10 February 2017 for £71,102,650. The Group profit on disposal of Opus was £62,317,458 and the share of Opus profit for the period up to disposal was £2,200,000; in the year ended 31 March 2017 these figures were presented as discontinued operations in the Consolidated Statement of Comprehensive Income given the nature of Opus, as a supplier of energy to the corporate market, being substantially different to the continuing operations of the Company. No tax was paid on the disposal as it was eligible for the substantial shareholding exemption.

Associated undertaking

	2018 £'000	2017 £'000
Associated undertaking		
Cost		
At 1 April	-	2,294
Additions	-	55
Disposals	-	(2,349)
At 31 March	-	-
Share of profit		
At 1 April	-	9,310
Share of profit after taxation for the year	-	2,200
Dividends received in the year	-	(5,074)
Disposals	-	(6,436)
At 31 March	-	-
Carrying amounts		
At 31 March	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INVESTMENTS (CONTINUED)

Associated undertaking

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

	Period to 10 Feb 2017 £'000
Non-current assets	5,552
Current assets	203,395
Cash and cash equivalents	6,482
Total assets	215,429
Current liabilities	(172,832)
Total liabilities	(172,832)
Net assets	42,597
Revenue	549,322
Depreciation and amortisation	(993)
Net interest	(532)
Other expenses	(534,693)
Total expenses	(536,218)
Profit before tax	13,104
Taxation	(2,104)
Profit after tax	11,000

Investment in subsidiary companies

On 1 April 2017 the trading activities, the majority of the assets and liabilities, and the employees of Telecom Plus PLC, as well as all its subsidiaries, were transferred to Utility Warehouse Limited a 100% subsidiary of Telecom Plus PLC under a group reorganisation. The reorganisation was designed to provide the Group with a more conventional legal structure in line with other large publicly-listed entities. The reorganisation has not had any impact on the consolidated trading results of the Group.

The cost of investment in subsidiary undertakings on the Company balance sheet of £262.0 million as at 31 March 2018 represents the transfer of the majority of the assets, liabilities and subsidiaries of Telecom Plus PLC to Utility Warehouse Limited in exchange for shares in Utility Warehouse Limited under the group reorganisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INVESTMENTS (CONTINUED)

Company	2018 £'000
Cost	
At 31 March 2017	227,097
Transfer of investment in subsidiaries to Utility Warehouse Limited	(227,097)
Investment in shares in Utility Warehouse Limited	262,037
At 31 March 2018	262,037

Following the group reorganisation the Company retained its investment in the JSOP Share Trust. Included within Company Trade and other receivables is a loan receivable from the JSOP Share Trust of £2,275,000 (2017: £2,275,000), which represents the maximum exposure to loss from its interest in the JSOP Share Trust.

Utility Warehouse Limited now owns 100% of the ordinary share capital of Telecommunications Management Limited ('TML'), being two £1 shares. The principal activity of TML is the supply of fixed wire and mobile telecommunication services to business and public sector customers.

Utility Warehouse Limited also owns 100% of the ordinary share capital of Utilities Plus Limited ('Utilities Plus'), being two £1 shares. Utilities Plus is an FCA Consumer Credit Act licenced entity which provides loans and hire purchase agreements to employees and Partners.

Utility Warehouse Limited also owns 100% of the ordinary share capital of Electricity Plus Supply Limited ('Electricity Plus') and Gas Plus Supply Limited ('Gas Plus'), being one £1 share in each company. The principal activity of Electricity Plus and Gas Plus is to hold the licences for the supply of energy services to residential and business customers in the UK.

As at 31 March 2018, Utility Warehouse Limited also owned 100% of the ordinary share capital of eight dormant non-trading subsidiaries as listed below:

Freetalk Limited
Mobile Xtra Limited
Savings Plus Limited
The Peoples Champion Limited
Utility Debt Collectors Limited
Utility House Limited
Value Group Limited
Value Plus Limited

As at 31 March 2018, TML owned 100% of the ordinary share capital of the following five dormant non-trading subsidiaries: 1p mobile Limited, One Penny Mobile Limited, One Penny Telecoms Limited, Penny Mobile Limited and Penny Telecom Limited.

The registered office of each company referred to in this note (excluding Opus) is: Network HQ, 508 Edgware Road, London, NW9 5AB. All companies referred to above are registered in England and Wales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. DEFERRED TAX

Deferred tax recognised in the financial statements is as follows:

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Tax effect of temporary differences:				
Accelerated capital allowances	(1,215)	(1,212)	-	(1,216)
Other short term temporary differences	14	14	-	14
Employee benefits expected in excess of amount expensed	566	593	-	593
	(635)	(605)	-	(609)
	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
At 1 April	(605)	(839)	(609)	(844)
Transfers to subsidiaries	-	-	609	-
Charged to the Statement of Comprehensive Income	(30)	234	-	235
At 31 March	(635)	(605)	-	(609)

10. OTHER NON-CURRENT ASSETS

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Hire purchase agreements receivable	4,183	3,174	-	-
Loan to JSOP Share Trust	-	-	2,275	2,275
Trade receivables	7,725	7,523	-	2,705
Other non-current receivables	4,366	4,036	681	3,688
Total non-current receivables	16,274	14,733	2,956	8,668
Unamortised bank loan arrangement fees	-	860	-	860
Total other non-current assets	16,274	15,593	2,956	9,528

No amounts receivable under hire purchase agreements are due after five years. The loan receivable from the JSOP Share Trust does not bear interest and is repayable on demand. There is no current expectation that the loan will be recalled by the Company within the next 12 months. Unamortised bank loan arrangement fees were reclassified to non-current assets as the RCF facility was fully repaid as at 31 March 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. RECEIVABLES AND ACCRUED INCOME

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade and other receivables	36,458	28,594	14	12,476
Hire purchase agreements receivable	1,330	1,218	-	-
Trade and other receivables	37,788	29,812	14	12,476
Accrued income	120,325	93,442	-	3,962
Prepayments	6,559	4,878	13	4,061
Prepayments and accrued income	126,884	98,320	13	8,023
Trade and other receivables	37,788	29,812	14	12,476
Accrued income	120,325	93,442	-	3,962
Receivables and accrued income (net)	158,113	123,254	14	16,438

Gross accrued income of £122,408,000 (2017: £94,466,000) includes March revenue invoiced in April of £64,784,000 (2017: £54,216,000), unbilled energy debtors of £57,610,000 (2017: £40,247,000) and accrued income relating to property of £14,000 (2017: £3,000). Offset against this figure is an allowance for bad debts of £2,083,000 (2017: £1,024,000), which is included in the allowance for credit losses of £19,308,000 (2017: £16,271,000).

The hire purchase agreements receivable shown separately in the above table relates to the provision of branded vehicles to Partners. The majority of the vehicles are supplied on interest-free hire purchase agreements and therefore there are no reconciling items to disclose between the present value of the minimum lease payments and gross investment in the leases. The comparative figures for the year ended 31 March 2017 have been restated to separately show the hire purchase agreements receivable in relation to these vehicles.

Allowance for credit losses on receivables and accrued income

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Allowances as at 1 April	16,271	16,626	3,332	4,288
Transfers to subsidiaries	-	-	(3,332)	-
Additions – charged to Statement of Comprehensive Income	8,846	7,827	-	2,132
Allowances used on fully written down receivables	(5,809)	(8,182)	-	(3,088)
Allowances as at 31 March	19,308	16,271	-	3,332

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. RECEIVABLES AND ACCRUED INCOME (CONTINUED)

Analysis of receivables and accrued income

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Receivables and accrued income (gross)	177,421	139,525	14	19,770
Allowance for credit losses	(19,308)	(16,271)	-	(3,332)
Receivables and accrued income (net)	158,113	123,254	14	16,438

At 31 March 2018 and 31 March 2017 the Group had made provision for past due debts and therefore has no material exposure to trade receivables that were passed due and not individually impaired.

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

12. INTEREST BEARING LOANS AND BORROWINGS

Group and Company	2018 £'000	2017 £'000
Bank loans		
As at 1 April	-	71,241
Drawdown of bank loans	40,000	-
Repayment of bank loans	-	(71,241)
As at 31 March	40,000	-
Bank loan arrangement fees		
As at 1 April	(860)	(1,089)
Amortisation	229	229
As at 31 March	(631)	(860)
	39,369	(860)
Due within one year	-	-
Due after one year	40,000	-
	40,000	-

In December 2015 the Group entered into new five-year £150,000,000 revolving debt facilities with Barclays Bank PLC and Lloyds Bank PLC ('the Revolving Debt Facilities'). Interest is charged on the facilities in accordance with the schedule set out in the table below. As at 31 March 2018 the interest rate was LIBOR + 1.15%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Net Debt/EBITDA	Three month LIBOR +
>2.5x	2.20%
<2.5x	1.90%
<2.0x	1.65%
<1.5x	1.40%
<1.0x	1.15%

All bank loans are secured through a floating charge on the assets of the Group.

The Revolving Debt Facilities, when drawn down, are stated net of unamortised arrangement fees of £631,000 (2017: £860,000) on the face of the Balance sheet. These costs have been capitalised and are being amortised over the term of the Revolving Debt Facilities. As at 31 March 2017 the Revolving Debt Facilities were not drawn down and therefore the unamortised arrangement fees were shown in non-current assets as set out in note 10.

In addition, as at 31 March 2018 the Group had letters of credit in place relating to certain energy distribution charges with a total value covered of £15,540,500 (2017: £15,585,500).

Maturity analysis

Group and Company	2018 £'000	2017 £'000
Bank loans		
Due in one year or less	-	-
Due in more than one year but not more than two years	-	-
Due in more than two years but not more than five years	41,731	-
	41,731	-

The analysis of maturity above includes interest to be paid during the term of the loans in accordance with IFRS 7 Financial Instruments: Disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Current				
Trade payables	19,942	19,373	25	3,713
Inter-company payables	-	-	63,626	34,023
Other taxation and social security	11,041	5,235	-	3,542
	30,983	24,608	63,651	41,278

All trade payables are due within one year.

14. ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Accrued expenses	133,937	110,328	9	8,672
Deferred income	771	994	-	790
	134,708	111,322	9	9,462

All accrued expenses are payable within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 15.

15. CAPITAL AND RESERVES

Issued share capital – ordinary shares of 5p each

	2018		2017	
	Number ('000)	£'000	Number ('000)	£'000
Authorised share capital	160,000	8,000	160,000	8,000
Allotted, called up and fully paid share capital:				
At 1 April	80,488	4,024	80,317	4,016
Issue of new ordinary shares	119	6	171	8
Purchase of cancelled shares	(2,146)	(107)	-	-
At 31 March	78,461	3,923	80,488	4,024

At the year end the Company's share price was 1,222p and the range during the financial year was 1,069p to 1,321p.

At 31 March 2018, the Company had 78,460,956 (2017: 80,487,892) shares in issue. The total number of voting rights of 5p ordinary shares in the Company was 78,400,956 (2017: 80,427,892), excluding shares held in treasury. Since the year end, a further 16,614 shares have been issued to satisfy the exercise of employee and distributor share options, increasing the total number of voting rights of 5p ordinary shares in the Company to 78,417,570. During the period the Company repurchased for cancellation 2,145,890 ordinary shares at 1,165p per share through a tender offer made available to all shareholders.

As at 31 March 2018 there were 60,000 ordinary shares held in treasury (2017: 60,000).

There are 252,638 ordinary shares held in the JSOP Share Trust, representing approximately 0.3% 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 78,400,956. The JSOP reserve in the Group accounts represents ordinary shares in the Company held by the JSOP Share Trust.

During the year Utility Warehouse Limited, a wholly owned subsidiary of the Company, issued 325,000 new 2p 'B' shares for a total nominal value of £6,500 to participants in the Group's new LTIP 2016 scheme. As at 31 March 2018, the total Group share capital is therefore £3,930,000 (2017: 4,024,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. CAPITAL AND RESERVES (CONTINUED)

Capital management

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

Total shareholder equity at 31 March 2018 was £227.0 million (2017: £257.7 million).

The Group's current capital management strategy is to retain sufficient working capital for day to day operating requirements. In addition, as a result of the entering the energy supply arrangements with npower in December 2013, and the consequent drawdown of transaction debt facilities, the Group's capital management strategy is also to ensure that interest costs are minimised.

Under the revised energy supply arrangements which were effective from 1 December 2013, npower continues to be responsible for funding the principal working capital requirements relating to the supply of energy to the Company's customers. This includes funding the Budget Plans of customers who pay for their energy in equal monthly instalments and pre-funding the payment of certain energy network charges.

Dividends

	2018 £'000	2017 £'000
Prior year final paid 25p (2017: 24p) per share	19,523	19,205
Interim paid 24p (2017: 23p) per share	18,750	18,428

The Directors have proposed a final dividend of 26p per ordinary share totalling approximately £20.3 million, payable on 3 August 2018, to shareholders on the register at the close of business on 13 July 2018. In accordance with the Group's accounting policies the dividend has not been included as a liability as at 31 March 2018. This dividend will be subject to income tax at each recipient's individual marginal income tax rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. EARNINGS PER SHARE

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

	2018 £'000	2017 £'000
Earnings for the purpose of basic and diluted EPS	30,490	94,960
Share of profit related to associate (net of tax)	-	(64,517)
Earnings for the purpose of basic and diluted EPS - continuing operations	30,490	30,443
Share incentive scheme charges (net of tax)	1,657	968
Amortisation of energy supply contract intangible assets	11,228	11,228
Earnings excluding share incentive scheme charges and amortisation of intangibles for the purpose of adjusted basic and diluted EPS	43,375	42,639
	Number ('000s)	Number ('000s)
Weighted average number of ordinary shares for the purpose of basic EPS	78,659	80,073
Effect of dilutive potential ordinary shares (share incentive awards)	426	438
Weighted average number of ordinary shares for the purpose of diluted EPS	79,085	80,511
<i>Continuing operations</i>		
Adjusted basic EPS ¹	55.1p	53.3p
Basic EPS	38.8p	38.0p
<i>Continuing operations</i>		
Adjusted diluted EPS ¹	54.8p	53.0p
Diluted EPS	38.6p	37.8p

¹ Adjusted basic and diluted EPS for continuing operations exclude share incentive scheme charges and the amortisation of the intangible asset recognised as a result of the new energy supply arrangements entered into with npower in December 2013.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. COMMITMENTS

Operating lease commitments

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

Group

	2018 £'000	2017 £'000
Amounts payable:		
Less than one year	83	103
Between one and five years	-	68
	83	171

The principal lease arrangements relate to office premises.

Capital commitments

At 31 March 2018 the Company had no capital commitments (2017: £76,000).

Energy supply arrangements

The Group entered into a 20 year energy supply agreement with npower ('the SSA') on 20 December 2013.

In the event that the SSA is terminated by npower in certain circumstances, including on a material breach by the Group or on the insolvency of the Company, additional consideration of up to £182 million may become payable by the Company to npower. Full details of the termination provisions of the SSA were set out in paragraph 4 of Part VIII on page 38 of the prospectus issued to shareholders on 20 November 2013.

However, given the energy supply agreement termination rights are either, in the directors' view, very unlikely to occur or entirely within the control of the Group, the directors believe the likelihood of this type of termination event is remote.

The amount of the additional consideration reduces from £182 million to £11 million over the remaining life of the supply agreement. Furthermore, depending on the circumstances giving rise to a termination event, the additional consideration (if payable) may be spread over the unexpired term of the supply agreement. Following any such termination event, the Group would have direct access to the wholesale energy markets and the opportunity to earn additional margin from sourcing energy directly for the Group's customer base.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. SHARE-BASED PAYMENTS

Share options

The Company has two share option plans, one of which is available to employees, the other to distributors of the Company. The Company also has a Save As You Earn share option plan ('the 2015 Employee SAYE Share Option Plan') for employees.

All new employees who have passed the requisite probationary period are issued with market price 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 2017 Employee Share Option Plan'). The 2015 Employee SAYE Share Option Plan enables employees of the group to acquire shares in the Company in a tax efficient manner using monies saved from salary over a three or five year period.

The distributor scheme ('The Telecom Plus PLC 2017 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.

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

	2018		2017	
	Number	Weighted average exercise price	Number	Weighted average exercise price
At 1 April	2,663,117	965p	2,489,194	916p
Options granted	451,047	1,148p	583,236	1,101p
Options exercised	(174,236)	634p	(181,645)	574p
Options lapsed/expired	(758,862)	1,155p	(227,668)	1,085p
At 31 March	2,181,066	963p	2,663,117	965p

The weighted average share price at the date of exercise for the options exercised during the year was 1,215.0p (2017: 1,154.3p).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. SHARE-BASED PAYMENTS (CONTINUED)

During the current year ended 31 March 2018 and prior year ended 31 March 2017, the Group issued share options to employees and distributors on the occasions set out below.

Grant date	Share price at grant date (pence)	Exercise price (pence)	Expected volatility (%)	Option life (years)	Risk free rate (%)	Dividend yield (%)	Fair value per option (pence)
<i>2007 Employee Share Option Plan</i>							
22/07/2016	1,033	1,047	43.76	10	0.10	4.58	265
08/12/2016	1,187	1,209	39.31	10	0.32	3.97	299
20/07/2017	1,126	1,117	23.81	10	0.27	4.48	115
<i>2017 Employee Share Option Plan</i>							
12/12/2017	1,179	1,181	26.52	10	0.88	4.23	169
<i>2015 Employee SAYE Share Option Plan</i>							
15/08/2016	1,058	1,042	42.92	3.5	0.10	4.61	224
14/08/2017	1,110	1,128	23.88	3.5	0.27	4.43	116
<i>2007 Networkers and Consultants Share Option Plan</i>							
22/07/2016	1,033	1,047	43.76	10	0.10	4.58	265
20/07/2017	1,126	1,117	23.81	10	0.27	4.48	115

The Group has used a binomial model to value its share options, with account being taken of vesting conditions where these were considered material. The expected volatility for the share option arrangements is based on historical volatility determined by the analysis of daily share price movements over the previous 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. SHARE-BASED PAYMENTS (CONTINUED)

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

	Number 1 April 2017	Number 31 March 2018	Exercise price per share	Exercisable from	Expiry date
2007 Employee Share Option Plan					
30 Aug 2007	4,811	-	171p	30 Aug 2010	29 Aug 2017
17 Jan 2008	5,500	-	198p	17 Jan 2011	16 Jan 2018
12 Jun 2008	10,050	7,600	330.5p	12 Jun 2011	11 Jun 2018
10 Dec 2008	3,720	3,720	340p	10 Dec 2011	9 Dec 2018
26 Jun 2009	34,770	26,940	278p	26 Jun 2012	25 Jun 2019
9 Dec 2009	3,000	3,000	305p	9 Dec 2012	8 Dec 2019
5 Jul 2010	33,010	27,700	338p	5 Jul 2013	3 Jul 2020
17 Dec 2010	10,040	9,290	442p	17 Dec 2013	16 Dec 2020
14 Jun 2011	140,780	85,505	603p	14 Jun 2014	11 Jun 2021
15 Dec 2011	22,060	18,060	774p	15 Dec 2014	14 Dec 2021
26 Jun 2012	79,904	67,854	828p	26 Jun 2015	25 Jun 2022
10 Dec 2012	39,600	31,878	878p	10 Dec 2015	9 Dec 2022
17 Jun 2013	88,500	38,700	1,219p	17 Jun 2016	16 Jun 2023
16 Dec 2013	9,500	7,500	1,739p	16 Dec 2016	15 Dec 2023
1 Jul 2014	322,500	19,000	1,337p	1 Jul 2017	30 Jun 2024
16 Dec 2014	22,500	17,000	1,254p	16 Dec 2017	15 Dec 2024
13 Jul 2015	827,600	519,350	985p	13 Jul 2018	12 Jul 2025
10 Dec 2015	94,750	80,250	1,074p	10 Dec 2018	9 Dec 2025
22 Jul 2016	342,500	306,000	1,047p	22 Jul 2019	21 Jul 2026
8 Dec 2016	169,370	162,370	1,209p	8 Dec 2019	7 Dec 2026
20 Jul 2017	-	187,500	1,117p	20 Jul 2020	19 Jul 2027
	2,264,465	1,619,217			
2017 Employee Share Option Plan					
12 Dec 2017	-	197,500	1,181p	12 Dec 2020	11 Dec 2027
2015 Employee SAYE Share Option Plan					
25 Sep 2015	48,037	43,413	1,058p	1 Nov 2018	30 Apr 2019
15 Aug 2016	13,214	9,264	1,042p	1 Nov 2019	30 Apr 2020
14 Aug 2017	-	15,554	1,128p	1 Nov 2020	30 Apr 2021
	61,251	68,231			
Total employees	2,325,716	1,884,948			
Weighted average exercise price	1,016.6p	975.8p			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. SHARE-BASED PAYMENTS (CONTINUED)

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

	Number 1 April 2017	Number 31 March 2018	Exercise price per share	Exercisable from	Expiry date
2007 Networkers and Consultants Share Option Plan					
30 Aug 2007	6,000	-	171p	30 Aug 2010	29 Aug 2017
10 Dec 2008	12,250	12,000	340p	10 Dec 2011	9 Dec 2018
26 Jun 2009	6,000	3,000	278p	26 Jun 2012	25 Jun 2019
9 Dec 2009	5,350	4,000	305p	9 Dec 2012	8 Dec 2019
5 Jul 2010	137,247	118,862	338p	5 Jul 2013	3 Jul 2020
17 Dec 2010	6,404	6,106	442p	17 Dec 2013	16 Dec 2020
14 Jun 2011	3,000	3,000	603p	14 Jun 2014	11 Jun 2021
15 Dec 2011	7,000	7,000	774p	15 Dec 2014	14 Dec 2021
1 Jun 2012	49,000	38,000	721p	1 Jun 2015	31 May 2022
26 Jun 2012	8,000	7,000	828p	26 Jun 2015	25 Jun 2022
20 Nov 2012	21,400	19,400	854.5p	20 Nov 2015	19 Nov 2022
10 Dec 2012	16,000	16,000	878p	10 Dec 2015	9 Dec 2022
17 Jun 2013	5,000	5,000	1,219p	17 Jun 2016	16 Jun 2023
16 Dec 2013	2,000	2,000	1,739p	16 Dec 2016	15 Dec 2023
1 Jul 2014	7,900	7,900	1,337p	1 Jul 2017	30 Jun 2024
16 Dec 2014	6,000	6,000	1,254p	16 Dec 2017	15 Dec 2024
13 Jul 2015	29,850	29,850	985p	13 Jul 2018	12 Jul 2025
10 Dec 2015	1,500	1,500	1,074p	10 Dec 2018	9 Dec 2025
22 Jul 2016	7,500	7,500	1,047p	22 Jul 2019	21 Jul 2026
20 Jul 2017	-	2,000	1,117p	20 Jul 2020	19 Jul 2027
Total distributors	337,401	296,118			
Weighted average exercise price	609.8p	637.6p			

At 31 March 2018, a total of 619,015 share options were exercisable (2017: 769,896) at a weighted average exercise price of 669.6p (2017: 660.8p). The average remaining contractual life of the outstanding options was 6.7 years (2017: 7.1 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. SHARE-BASED PAYMENTS (CONTINUED)

LTIP 2016 – growth shares

The LTIP 2016 comprises the issue to participants of a class of 'growth' shares in Utility Warehouse Limited ("B1 shares"), which potentially become convertible into ordinary shares in the Company over a period of typically 3-10 years following the achievement of stretching targets. If these targets are not achieved, then the growth shares lapse with no value to participants. The first awards of growth shares were made to initial participants in the scheme on 4 April 2017; these included the Chief Executive Officer and Chief Financial Officer of the Company. In total 325,000 growth shares were issued to the directors and certain senior employees on 4 April 2017, of which 8,500 have lapsed due to leavers. Further detail on the LTIP 2016 is set out in the Directors' Remuneration Report. The fair value of the growth shares for the purposes of IFRS 2 has been based on a Monte-Carlo model and the key assumptions are set out below.

B1 shares	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Fair value (per share granted)	£16.51	£17.71	£18.07	£17.08
Number of awards granted	81,250	81,250	81,250	81,250

Key assumptions

Share price at grant	£12.10
Exercise price	Nil
Dividend yield	4.5%
Expected term	2.3 to 9.3 years
Risk free rate	0.11% to 0.99%
Share price volatility of the Company	33.2%
Discount for post vesting transfer restrictions for Tranches 1, 2 and 3 awards	6.3%
Discount for post vesting transfer restrictions for Tranche 4 awards	11.2%

19. 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 £201,190,000 (2017: £155,336,000) and for the Company of £2,974,000 (2017: £43,637,000).

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 £199,635,000 (2017: £135,421,000) and for the Company £63,666,000 (2017: £51,099,000).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS (CONTINUED)

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 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 Group has identified specific balances for which it has provided an impairment allowance on a line by line basis across all ledgers, in both years. No general impairment allowance has been provided in either year.

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the financial asset directly.

The maximum credit risk for the Group is £201,190,000 (2017: £155,336,000) and for the Company £2,974,000 (2017: £43,637,000).

Interest rate risk

The Group finances its day to day operations primarily through cash generated within the business. Cash surpluses are placed on deposit with Barclays Bank PLC and Lloyds Bank PLC at money market rates to maximise returns. As set out in note 12, the interest charged on the Group's borrowing facilities varies according to the prevailing 3 month LIBOR rate.

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.

Commodity price risk

The Group is not materially 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 significant 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 £4,738,000 (2017: £3,683,000) due mainly from distributors elements of which earn interest at varying rates above Base Rate.

Borrowing facilities

At 31 March 2018, the Group had total revolving credit facilities of £150,000,000 (2017: £150,000,000). These facilities are available to the Group until 14 December 2020. As at 31 March

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS (CONTINUED)

2018 £40,000,000 of the facilities was drawn down (2017: £Nil drawn down). As at 31 March 2018 the Group also had letters of credit in place relating to certain energy distribution charges with a total value covered of £15,540,500 (2017: £15,585,500).

The facilities are secured by fixed and floating charges over the assets of the Group and through cross guarantees with the subsidiaries Utility Warehouse Limited, Electricity Plus Supply Limited, Gas Plus Supply Limited, Utilities Plus Limited and Telecommunications Management Limited. Further details of the facilities are set out in note 12 of these financial statements.

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.

20. RELATED PARTIES

Identity of related parties

The Company has related party relationships with its subsidiaries (see note 8), formerly its associate until disposal on 10 February 2017 (see note 8) and with its directors and executive officers.

Transactions with key management personnel

Directors of the Company and their immediate relatives control approximately 23.9% of the voting shares of the Company. No other employees are considered to meet the definition of key management personnel other than those disclosed in the Directors' Remuneration Report.

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

	2018 £'000	2017 £'000
Short-term employee benefits	1,639	1,475
Social security costs	219	196
Post-employment benefits	40	80
	1,898	1,751
Share incentive scheme charges	294	186
	2,192	1,937

During the year, the Company acquired goods and services worth approximately £22,000 (2017: £130,000) from companies in which directors have a beneficial interest. No amounts were owed to these companies by the Company as at 31 March 2018. During the year, the Company sold goods and services worth approximately £12,000 (2017: £12,000) to companies in which directors have a beneficial interest.

During the year directors purchased goods and services on behalf of the Company worth approximately £75,000 (2017: £118,000). The directors were fully reimbursed for the purchases and no amounts were owing to the directors by the Company as at 31 March 2018. During the year the directors purchased goods and services from the Company worth approximately £32,000 (2017: £29,000) and persons closely connected with the directors earned commissions as Partners for the Company of approximately £13,000 (2017: £14,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. RELATED PARTIES (CONTINUED)

Other related party transactions

Associates

During the year ended 31 March 2017 up to the date of disposal on 10 February 2017, the associate supplied goods to the Group which amounted to £1,304,000. Transactions with the associate were priced on an arm's length basis.

Subsidiary companies

During the year ended 31 March 2018, the Company purchased goods and services from the subsidiaries in the amount of £239,000 (2017: £61,235,000 purchased by the subsidiaries from the Company). At 31 March 2018 the Company owed the subsidiaries £63,626,000 which is recognised within trade payables (2017: £34,023,000 owed by the Company to the subsidiaries).

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3263464

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