

REPORT AND ACCOUNTS

YEAR ENDED 31 MARCH 2019



HOME PHONE



BROADBAND



MOBILE



GAS



ELECTRICITY



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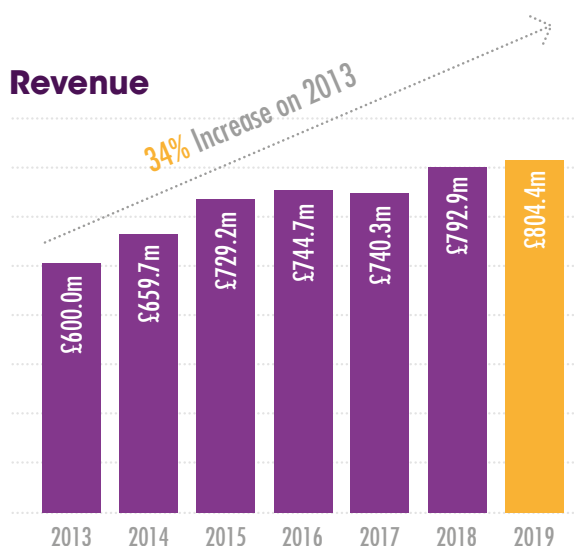
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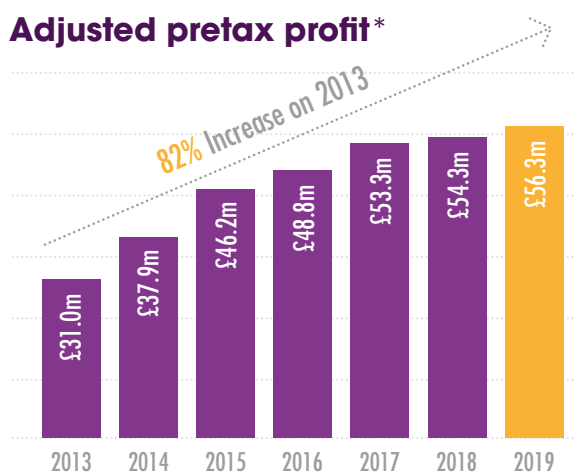
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FINANCIAL AND OPERATING HIGHLIGHTS

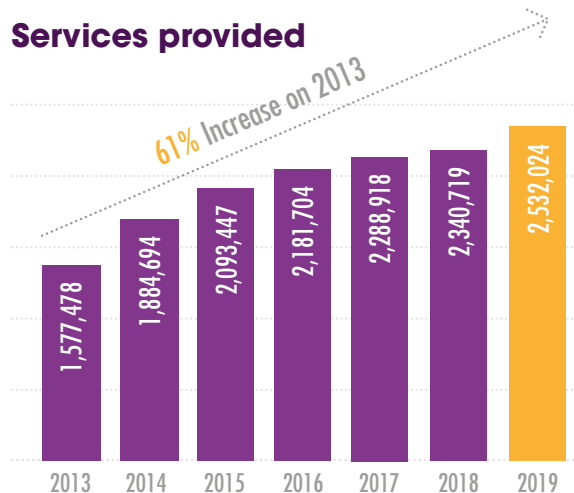
Revenue



Adjusted pretax profit*



Services provided



- Revenue up 1.5% to £804.4 million
- Adjusted pre-tax profit* up 3.7% to £56.3 million
- Statutory pre-tax profit up 4.9% to £43.0 million
- Adjusted EPS* up 7.1% to 59.0p
- Statutory EPS up 9.5% to 42.5p
- Full year dividend up 4.0% to 52p
- Significantly faster growth in both Members and Partners
- Services supplied up 8.2% to over 2.5 million
- Rising Membership quality, with over 26% now taking their energy, broadband and mobile services from us
- Improved energy supply arrangements successfully negotiated with npower

* Adjusted pre-tax profit (£56.3m) and Adjusted EPS exclude share incentive scheme charges (£1.8m) and amortisation of the energy supply contract intangible asset (£11.2m). The reconciliation for adjusted EPS is set out in note 16 of the financial statements.

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.

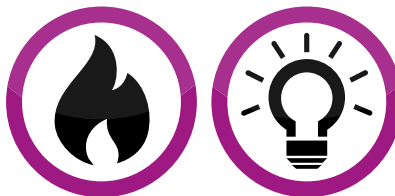


ONE MONTHLY BILL



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 for all our members, which are up to 5% (or more) below the level of the Ofgem price cap.



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), and we believe in the importance of treating our Members fairly. In particular, loyalty should not be penalised.

This ethos is reflected throughout our retail proposition, with 'everyday low pricing' for both new and existing Members. This means, that 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 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 they take, the more they can save.

Making life
simple

One bill, one contact

We make life easier for our Members – with one clear, simple monthly bill for all the services they take. It shows where they can make extra savings and get more value. And with only one supplier, they 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 they save on energy and phone bills, but there are lots of other exclusive Member benefits – like our CashBack card that saves them money on their everyday shopping, and our free LED replacement light bulb service.

Looking after
our Members

5 star customer service

We really care about our Members. In fact, great customer service is at the heart of everything we do. When they switch their services to us, we take care of all the arrangements. And our award-winning UK call centre is always here when they 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 highly satisfactory year for the Company, in which we achieved meaningfully faster growth and an improved operating performance in the face of challenging market conditions.

Adjusted pre-tax profits increased by 3.7% to £56.3m (2018: £54.3m), and statutory pre-tax profits advanced by 4.9% to £43.0m (2018: £41.0m), on revenue up by 1.5% to £804.4m (2018: £792.9m); adjusted earnings per share for the year rose by 7.1% to 59.0p (2018: 55.1p), and statutory EPS increased by 9.5% to 42.5p (2018: 38.8p).

We saw customer and service number growth accelerate during the course of the year, notwithstanding a significant continuing gap between the low introductory fixed price energy deals available from other independent suppliers, and the standard variable tariffs (“SVTs”) charged by the ‘Big 6’ (which we use as the basis for our own range of discounted retail tariffs).

Against this backdrop, the faster growth and higher profitability we have achieved clearly demonstrates the resilience and strength of our unique business model. Customer numbers for the year advanced by 4.0% (2018: 0.5%) to 635,039 (2018: 610,739) and service numbers advanced by 8.2% (2018: 2.3%) to 2,532,024 (2018: 2,340,719) reflecting a further improvement in the quality of our customer base.

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 ranked by independent consumer champions *Which?* as one of the top suppliers and/or as a recommended provider for all our core services; we also received five awards from Moneywise.

We were particularly delighted to receive the prestigious accolade of ‘Utilities Provider of the Year’ at the 2018 *Which?* 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 was 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

The modest rise in revenue reflects a number of factors; the increase in the total number of services we are supplying, partially offset by a growing proportion of Members benefitting from our most competitive 'Double Gold' tariffs, 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, more efficient boilers and appliances, and an unusually warm winter), and the impact of the Ofgem price cap during the final quarter.

The small improvement in adjusted pre-tax profit also reflects a number of different factors; slower organic growth in the size of our membership base during the preceding year, improved commercial terms from our wholesale partners, and some early benefits from our smart meter roll-out programme, partially offset by growth in our customer support teams, a warmer winter, and increased investment in technology and systems.

Dividend

In line with previous guidance, we are proposing a final dividend of 27p (2018: 26p), bringing the total for the year to 52p (2018: 50p); this represents an increase of 4.0% compared with last year, and will be paid on 2 August 2019 to shareholders on the register at the close of business on 12 July 2019 subject to approval by shareholders at the Company's AGM which will be held on 25 July 2019.

We remain committed to a progressive dividend policy consistent with the underlying strong cash generation of our business. As previously indicated, and in the absence of unforeseen circumstances, this will result in an increase of around 10% in the total dividend to 57p per share for the current year.

Churn

Our churn remains significantly below prevailing industry levels despite record numbers of households switching their energy supplier (encouraged inter alia by government, press, and Ofgem). We attribute this to a combination of factors including our fair approach to pricing, high standards of customer service, unique route to market, and the steadily improving quality of our membership base, partially offset by the continuing large gap between SVTs and the introductory deals offered by a number of energy suppliers.

Ofgem Energy Price Cap

The Ofgem energy price cap ("the Price Cap") took effect on 1 January 2019, and the consequent reduction in SVTs (paid predominantly by millions of disengaged households) of around £75 led to a brief narrowing of the gap between the price they were paying and the introductory fixed price deals available to those who choose to switch supplier on a regular basis ("the Gap").

Higher wholesale costs during the autumn and early winter resulted in an increase of around £115 to the Price Cap on 1 April 2019. This rise coincided with a more recent period of falling commodity prices during the late winter and spring, and as a result, the Gap has now widened to over £300.

These lower recent commodity costs mean that the Price Cap is expected to fall again at the next review point on 1 October 2019. The forecast reduction of about £75 will take SVTs back to below the level they were at just prior to the introduction of the Price Cap in January, thus significantly narrowing the current Gap.

CHAIRMAN'S STATEMENT

CONTINUED

Overall, and notwithstanding these fluctuations, we believe that the Price Cap has created a fairer energy market than before, to the benefit of millions of disengaged households. This is evidenced by the significant negative impact being reported by the 'Big 6' on the profitability of their UK domestic supply businesses.

We remain sheltered from the full impact of the Price Cap under our wholesale supply arrangements with npower, and are encouraged by the modest improvement in our competitive position which it has created.

OUR ROUTE TO MARKET - PARTNERS

Our Partners can create real financial security for themselves and their families by using their spare time to sign up new Members and introduce our business opportunity to other like-minded people; by doing so, they receive meaningful short-term financial rewards combined with a long-term residual income.

This route to market gives us a significant competitive advantage, enabling us to target high quality customers who in many cases have never previously switched their supplier(s), by effectively communicating the savings, simplicity and service of our multi-utility retail proposition.

We are totally committed to helping our network of over 40,000 Partners build successful independent businesses. Action taken during the year in pursuance of this goal included improving the digital tools we provide to them, enriching the training and personal development programmes that we run for them, enhancing the compensation plan, and introducing a wider selection of short and medium-term incentives to motivate them to greater levels of activity.

We are encouraged by the acceleration in the number of new Partners signing up to the opportunity, with the recent level having stabilised at around 1,000 per month.

BUSINESS DEVELOPMENT

Insurance

We continue to make good progress in gathering Home Insurance renewal dates from our members, with around 125,000 (2018: 60,000) having been collected by the end of March. Total policies grew to around 14,500 (2018: 4,700) with a quote conversion rate of around 30%; a key priority over the course of the current year is therefore to continue strengthening our panel of insurers in order to make our proposition more competitive across a wider range of risk profiles.

We are very pleased that our 'consistently low price' approach to setting premiums has led to average renewal rates in excess of 95%: this approach is unusual within the insurance market, and in many cases Members are seeing the cost of their insurance fall when their UW home insurance policy comes up for renewal.

It is highly encouraging that our Home Insurance business is already profitable, and we remain confident it will make a material contribution to the financial performance of the group in due course.

We extended our Insurance proposition by launching Boiler & Home Cover in March 2019; this has been designed primarily as a customer acquisition and retention tool, rather than as a further profit centre. It offers market leading cover at a highly competitive monthly premium, combined with a unique 10% discount on the cost of any gas we supply to them whilst they maintain their policy with us.

Energy

The energy market is now polarised between the 'Big 6', who have largely remained profitable at the expense of seeing their market share continue to decline, and a significant number of independent suppliers, who are growing their customer numbers whilst incurring substantial losses.

We find it difficult to understand how this multitude of sub-scale competitors can develop viable long-term businesses, given their similar wholesale cost structure and distribution channels (focussed on lowest-price retail propositions), rising administration costs as they become more mature, and inevitable 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). It is therefore unsurprising that 14 such suppliers have experienced acute financial difficulties and ceased trading since January 2018.

Against this background, we continue to develop the significant niche we have identified, providing consistently fair and sustainable pricing combined with a unique range of other benefits, to a steadily growing customer base.

Amongst the unique benefits we offer is our innovative free LED light bulb replacement service, which we are currently delivering to around 3,000 households each month. By reducing household electricity usage, this benefit offers our customers real long term savings as opposed to short lived introductory discounts, and significantly strengthens our green credentials as a major energy supplier.

Improved Energy Supply Arrangements

We announced in our recent trading update on 17 April 2019 that we had successfully negotiated a number of changes to our wholesale energy supply arrangements with npower, including:

- An overall modest improvement to the commercial terms, including a small increase in the level of discount we receive;
- The ability for us to switch from our current 'retail-minus' wholesale pricing structure onto industry standard wholesale supply arrangements (either with npower or an alternative counterparty) from 1 April 2024, mitigating the risk that the current pricing structure ceases to be appropriate over the medium term as the energy industry continues to evolve;
- A relaxation in our previous exclusivity obligations, giving us the freedom to source energy in the open market in relation to any other company, business or customer base we may acquire in future (although we are not currently in discussion with any other parties);
- That if the Price Cap ceases to apply, our wholesale pricing will continue to be calculated using the Price Cap methodology rather than being based on higher 'Big 6' SVTs;
- The removal of our termination rights on any future change of control in the ownership of npower.

We were extremely pleased with the outcome of these discussions, which both secure and modestly enhance the benefits we are receiving from our ongoing energy supply arrangements with npower over the medium term.

CHAIRMAN'S STATEMENT

CONTINUED

Smart Meters

We made good progress during the year with our smart meter roll-out programme, achieving an installed base of approximately 315,000 (largely dual fuel) meters by the end of the financial year; this represents over 31% of our residential meter portfolio and puts us slightly ahead of the average for the industry as a whole, despite the continuing failure of our contracted meter operators to meet their agreed service levels.

To enable us to meet the increasingly challenging roll-out targets stipulated by BEIS over the next few years whilst delivering a satisfactory experience to our members, we previously reported that we were establishing a wholly-owned subsidiary ('UW Home Services') to install smart meters on our behalf. We are extremely pleased with the progress of this project over the last eight months, during which we have established a centralised support team, recruited and trained our first 70 live engineers, and successfully installed over 15,000 smart meters by the end of May.

UW Home Services is on track to deliver a significant acceleration in activity over the course of the current year as it progressively expands its geographic footprint. The financial benefits from this programme (excluding any timing differences which may arise between when costs are incurred and when they are recovered) remain partly dependent on the speed and efficiency of our roll-out relative to other suppliers.

Boiler Installation and Servicing (via Glow Green)

Last summer we purchased a 75% shareholding in Glow Green Ltd, a regional supplier/installer of domestic gas boilers and warranty/care plans, making a modest initial cash investment of £2m. Since then, we have assisted them in securing improved customer financing and boiler procurement terms, upgrading their financial controls, optimising their marketing spend, and implementing a new CRM platform.

Although loss-making last year (c.£1m for the period to 31 March 2019), Glow Green's financial performance has been improving over the last few months, and we expect a modest positive financial contribution for the current year, as we progressively market their services to our members. Whilst initial volumes are expected to be moderate, this represents another substantial medium-term business opportunity for us, with an estimated 35,000 of our members needing to have their boiler replaced each year.

Improving our customer proposition

During the course of the year we instigated a number of initiatives aimed at improving the experience of our members:

- We redesigned our bills, making them easier for our members to understand;
- We introduced a choice of premium routers on our broadband service, providing an improved customer experience (particularly for members living in larger homes);
- We increased the functionality of our online Clubhouse, enabling more members to self-serve without needing to call our customer service team, with significant further enhancements planned for the future;
- We introduced an enhanced version of our CashBack card in March 2018, giving holders the opportunity to significantly increase their annual savings by earning 1% CashBack wherever they shop (in addition to receiving between 3% and 7% at a wide selection of retail partners); this is now being rolled out to all cardholders;

- Our drive to encourage Members to receive their monthly bill electronically is continuing, with 64% (2018: 59%) 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 and troughs in the volume of inbound customer service calls, and with lower environmental impact.

Technology

We continue to invest in the technology platform that is at the very core of our business, in order to ensure that we can provide best in class service levels to our customers across the increasing range of services we supply, and to provide our Partners with the tools and support that they need to make the most of the part time income opportunity that we offer them.

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.

RECENT TRADING AND OUTLOOK

Recent Trading

Performance since the year-end is in line with management expectations, with the quantity and quality of new Members continuing to run comfortably ahead of the levels we achieved during the corresponding period last year. In addition, the number of new Partners joining the business has remained buoyant, with around 1,000 joining each month.

Our annual conference took place in March, with attendance levels significantly ahead of the previous year. We launched our new Boiler and Home Cover insurance service (which received an enthusiastic response from the 6,000 Partners present), shared motivational ideas, recognised their achievements, provided them with useful tips to help build their businesses, and encouraged each Partner to define and commit to their own clear vision for the coming year.

We are particularly pleased that our own churn has remained steady at around 12% a year (which is around half the average rate being experienced across the energy industry) – this is despite the impact of the Ofgem price cap being reset at a higher level on 1 April 2019, a widening Gap between the Price Cap and the bottom of the market, and record levels of switching within the broader energy market.

CHAIRMAN'S STATEMENT

CONTINUED

Energy Prices and Regulatory Changes

Since 1 February 2019, forward energy commodity prices have been below the average level which prevailed during the period 1 September 2018 to 31 January 2019; this means that the level of the Price Cap is expected to fall on 1 October 2019 by around £75, partially reversing the recent £125 rise.

Many commentators had opposed the introduction of the Price Cap, on the basis it would lead to a reduction in the level of savings available to engaged customers, and a corresponding reduction in switching levels. These fears have not been borne out, with savings of over £300 still available, and record levels of switching taking place over the last five months.

This has been driven by many smaller suppliers continuing to set their retail prices at whatever level is required to maintain a position at (or towards) the top of price comparison sites, irrespective of the impact this may have on their profitability and/or cashflow. In the absence of strong balance sheets to absorb the losses they will be making, further insolvencies (in addition to the 14 suppliers who ceased trading over the last 18 months) seem inevitable.

We are pleased that Ofgem is taking action in this area with the recent announcement of 'tougher' entry tests for new energy suppliers. In our view, these tentative first steps fall well short of what is required to deal with these challenges, such as adding both ongoing minimum capital requirements and an obligation to segregate customer credit balances until such time as a new supplier has demonstrated the sustainability of their business model.

Outlook

We are well positioned for further growth over the coming year, with a diverse and growing portfolio of services, a motivated Partner network, a unique integrated multi-utility business model and a strong balance sheet. These attributes, together with our continuing focus on treating our customers fairly and delivering consistently good value and service, have enabled us to build an exceptionally high-quality membership base, with market leading levels of customer retention and strong visibility over our future earnings stream.

We anticipate the momentum that has been building within our business over the last 12 months will continue, with growth in customer and service numbers for the current year reaching 5% and 10% respectively. Whilst it is inevitably more expensive to add multi-service customers, we are hugely encouraged by the record proportion of new members choosing to switch all their services to us (which has recently been running at over 58%), with the higher investment made in acquiring them being more than offset by the length of time they are likely to remain with us, and correspondingly higher expected lifetime value.

From a financial perspective, the combination of a higher quality customer base, improved commercial terms from our wholesale partners, growing benefits from our smart meter roll-out programme, and an initial contribution from the extra customers we added over the past 12 months, mean that in the absence of unforeseen circumstances we expect adjusted profits before tax for FY2020 to be between £60m and £65m – a significant increase on our performance for the year just ended – accompanied by a corresponding 10% increase in our dividend to 57p per share.

Once again, I would like to thank my boardroom colleagues for their support and all our staff and Partners for their loyalty and hard work which have played such a huge part in achieving such a strong performance this year. Our medium-term objective is to continue building this business to one million households (and beyond), and I look forward to the opportunities and value that reaching this goal will create for all stakeholders.

Charles Wigoder

Executive Chairman

17 June 2019

CHIEF EXECUTIVE'S REVIEW

MARKETS

We supply a wide range of essential services under the Utility Warehouse brand (gas, electricity, landline, broadband, mobile and 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

Our business model is fundamentally different to all other UK utility providers in three key respects:

- We are the only fully integrated provider of both energy and communications services; 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;
- We have a unique route to market, with over 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 from both our Partners and our existing Members; and
- We operate our business as a Discount Club; each of our customers becomes a Member, and is treated in a way that is commensurate with that status.

Partners can earn a small percentage of the monthly revenues generated by any Members gathered, either personally, or by someone in their team. And in a similar way, 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 business practice adopted by our competitors of combining cheap introductory deals for new customers with higher tariffs charged to their legacy customer bases.

We believe their approach is not only viewed by loyal customers as being fundamentally unfair, but makes it less likely they will succeed in creating 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 high propensity to do so again when their introductory deal expires. In contrast, our alternative approach is to reward loyalty and commitment, with additional savings and benefits available to our most valuable and long-standing Members.

These dynamics are illustrated by recent switching data within the electricity market for domestic customers, where reported churn amongst other small and medium suppliers is currently running at an annualised rate of around 27% - over twice the level we are experiencing ourselves.

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.

Examples of this approach include (i) not offering introductory deals to new Members as an inducement to switch, (ii) allowing existing loyal Members to benefit from any new tariffs we introduce, and (iii) 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 technology 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 making good progress with our medium-term programme to enhance and update these systems, 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 improvements we announced to our wholesale energy arrangements in our April trading update, as well as the better mobile and broadband commercial terms we have negotiated over the last two years.

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.

STRATEGY

Our strategy is to progressively grow our share of the markets in which we operate, primarily through organic means, in order to build a robust, sustainable and increasingly profitable business.

We will achieve this by expanding 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, further improve the competitiveness of our services, encouraging existing Members to talk about the unique benefits we offer to their friends and acquaintances.

CHIEF EXECUTIVE'S REVIEW

CONTINUED

An example of this is the enhanced CashBack card we launched last year, offering savings to Members wherever they shop, rather than solely at our retail partners, and providing a number of other features which make it easier for our members to use; over 90,000 Members are now benefitting from this enhanced card, and we will automatically be upgrading the remainder of the original cardholders over the course of the next few months. We have been encouraged by the consistently high proportion of new Members (around 65%) who have requested our new CashBack card over the last 12 months.

Expanding our current range of services into related areas remains a significant opportunity for the coming decade, identifying opportunities where we can build upon our existing strong relationship with our Members to give 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. Recent examples include the successful introduction of Home Insurance, the addition of Boiler and Home Cover this spring, and our new boiler installation business.

In the longer term, there may be an opportunity to start supplying water and/or television, or to combine the national rollout of smart meters with other 'connected home' products and services by leveraging our position as the UK's only fully integrated multi-utility supplier.

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:

- strong organic growth with service numbers up by 191,305 (2018: 51,801)
- continued low churn against a background of record levels of energy switching
- record proportion of Members taking our 'Double Gold' bundle
- over 90,000 Members taking our enhanced CashBack card
- over 14,500 Home Insurance policies issued
- over 315,000 smart meters now installed
- Best Utilities Provider at annual *Which?* Awards 2018
- *Which?* #1 rated provider for Mobile April 2018
- *Which?* 'Recommended Provider' for Broadband March 2019
- Continuing 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 pricing policies, and our commitment to delivering best-in-class service and support to our Members.

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 to prospective new Members.

We provide a variety of training and personal development courses, both online and classroom-based, designed to furnish them with the skills and knowledge they need to gather Members and recruit other Partners effectively and successfully.

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 commission payments. This initiative is a key driver behind the pleasing trend towards higher numbers of new Partners joining the business each month, and the improving quality of new Members they are gathering.

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, with over 1,050 Minis and 25 BMW X5s delivered since the scheme was introduced. Owners inform us that they find these helpful in raising their local profile, resulting in enquiries from both potential new Members and Partners.

Members

MEMBERS	2019	2018
Residential Club	608,371	583,273
Business Club	26,668	27,466
TOTAL CLUB	635,039	610,739

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.

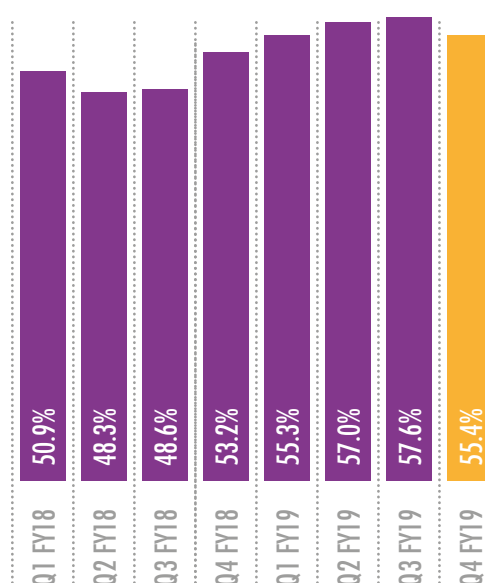
The current focus remains firmly on our residential Club, where there is a significant difference in average expected customer lifetimes between Members (and therefore in the revenues and profits they will generate) depending on whether they are an owner-occupier, and on the number of services we are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

CHIEF EXECUTIVE'S REVIEW

CONTINUED

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 core services to us (landline, broadband, mobile, electricity and/or gas) as can be seen from the following figures:

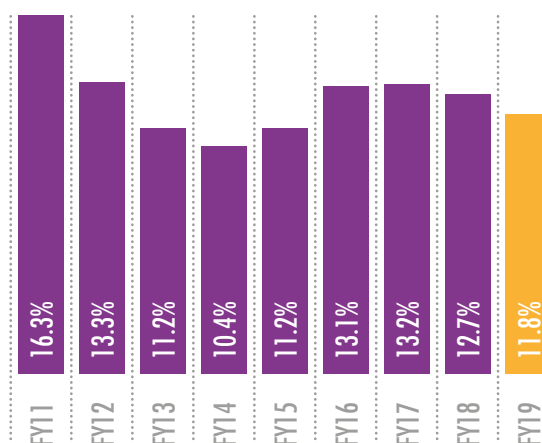
PERCENTAGE OF NEW MEMBERS TAKING 'DOUBLE GOLD' BUNDLE



It is extremely encouraging that since the year-end, this proportion has continued to increase.

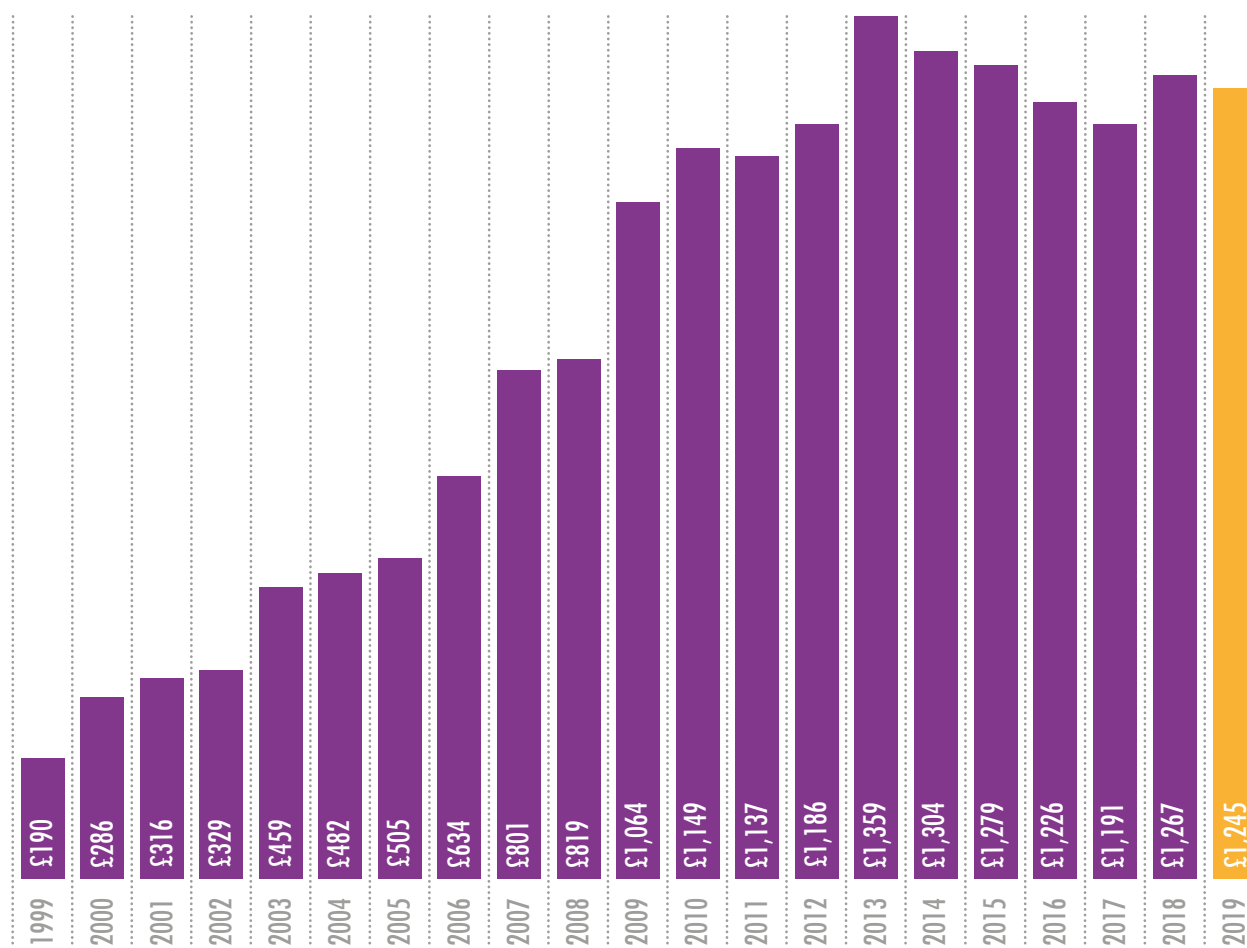
We were encouraged to see our energy supply point churn falling to around 1.0% per month, against a background of record levels of switching within the energy industry, and the continuing large gap between the introductory fixed price deals available from other suppliers and the range of tariffs we offer:

OUR ENERGY SUPPLY POINT CHURN



Average revenue per Member fell slightly to £1,245 (2018: £1,267) due to a combination of the Ofgem price cap (which reduced energy revenues during Q4), lower energy consumption during a particularly warm winter, and steadily declining landline call spend, partially offset by an increasing proportion of fibre broadband and mobile services within our membership base.

AVERAGE REVENUE PER MEMBER



CHIEF EXECUTIVE'S REVIEW

CONTINUED

Services

Our core services are 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 2,532,024 services to Club Members (2018: 2,340,719), an increase of 8.2% during the year.

SERVICES	2019	2018
Electricity	579,603	555,721
Gas	470,227	449,810
Fixed Telephony (calls and NGN)	338,439	321,494
Fixed Telephony (line rental)	326,766	307,742
Broadband	304,678	283,518
Mobile	252,206	221,716
CashBack card	245,620	195,960
Home Insurance	14,485	4,758
TOTAL	2,532,024	2,340,719
Residential Club	2,455,698	2,261,680
Business Club	76,326	79,039
TOTAL CLUB	2,532,024	2,340,719

All our core services grew during the year, with the strongest performances being a 25% increase in the number of Cashback cards and a 14% rise in mobile services. This reflects the attractiveness of our new CashBack card and our strategic decision to place mobile at the heart of our multi-service retail proposition.

CashBack

Our CashBack card has proven itself as an attractive and important Member acquisition and retention tool. We believe it is a key factor behind our continuing organic growth and low churn against a challenging market background.

Historically it offered 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. Around 12 months ago, we broadened its appeal by launching an enhanced version which also offers 1% CashBack on everyday household shopping at non-participating retailers (on up to £1,000 of retail spend each month). Over the course of the next few months, we will be upgrading all existing cardholders onto the new card.

Many Members also use our online shopping portal to reduce their bills; this generated over £300,000 of additional CashBack for our Members over the course of last year.

Member Service and Support

We pride ourselves on delivering a consistently high standard of service to our Members through a single support centre for all our core services based in north London, 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.

At the same time, we are always looking for ways to further improve the service experience we deliver, hence our ongoing digital transformation programme, and the numerous qualitative and quantitative performance measurement tools that we employ to monitor all aspects of our Members' interactions with us.

We have been delighted at the consistently high ratings, awards and recognition we receive from Moneywise and *Which?* for the quality of the service, support and value we provide 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 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.

The Environment

Although there is little we can directly do as an energy supplier to influence the generation mix which enters the National Grid each year, we are committed to playing our part in helping reduce the UK's overall carbon footprint. This is best illustrated by the significant investment we continue to make each year in project Daffodil – our free LED light bulb replacement service – an exclusive benefit which we are currently providing to around 3,000 households each month.

Since launching this service, we have installed a cumulative total of almost 4,000,000 energy efficient bulbs in more than 100,000 Members' homes (both new and existing) who have switched their energy and telephony services to us. By reducing household electricity usage, we make a direct and significant positive impact on our carbon footprint as a major energy supplier. This initiative has also been a major factor behind the improvement in the quality of new Members joining the Club, whilst encouraging, many thousands of longer-standing Members to take additional services in order to take advantage of this valuable benefit.

In addition, we continue to encourage our members to receive their monthly bills electronically (rather than by post) with considerable success. Since January 2017, the proportion receiving a paper bill has fallen significantly from 56% to around 36%, equivalent to a saving of over 7 million pieces of paper.

Our new boiler installation business only installs highly efficient A-rated boilers from Vaillant and Worcester Bosch, two of the world's leading manufacturers, thereby helping to reduce the amount of gas our customers are using.

CHIEF EXECUTIVE'S REVIEW

CONTINUED

Smart Meter roll-out

By the end of the financial year our rollout programme has resulted in an installed base of over 315,000 smart meters, representing over 31% of our domestic energy customer portfolio; whilst less than we were forecasting due to the ongoing failure of our Meter Operator 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 is now taking place; all of the engineers within our UW Home Services division have been re-trained accordingly, and are now primarily installing SMETS2 meters in our Members' homes.

In addition to possible efficiency benefits, smart meters improve billing accuracy; this should improve the generally contentious relationship that exists between many customers and their energy supplier. We are broadly supportive of the nationwide smart meter programme, albeit we remain highly concerned over the significant additional costs that are being incurred as a result of an ill-conceived and sub-optimal rollout strategy combined with unrealistic deadlines – a cost that will ultimately be met by consumers.

TECHNOLOGY

We are making steady progress on our digital transformation project to update our systems and processes. While this is creating significant additional costs in the short term, with benefits that will still take several more years to materialise, we are now making real progress and I am confident that making this investment is the right long-term 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

17 June 2019

FINANCIAL REVIEW

OVERVIEW OF RESULTS

	ADJUSTED			STATUTORY		
	2019	2018	CHANGE	2019	2018	CHANGE
Revenue	£804.4m	£792.9m	1.5%	£804.4m	£792.9m	1.5%
Profit before tax	£56.3m	£54.3m	3.7%	£43.0m	£41.0m	4.9%
Basic EPS	59.0p	55.1p	7.1%	42.5p	38.8p	9.5%
Dividend per share	52.0p	50.0p	4.0%	52.0p	50.0p	4.0%

In order to provide a clearer presentation of the underlying performance of the group, adjusted profit before tax and adjusted basic EPS exclude share incentive scheme charges of £1.8m (2018: £2.0m) and the amortisation of the intangible asset of £11.2m (2018: £11.2m) arising from entering into the energy supply arrangements with npower in December 2013; this decision reflects both the relative size and non-cash nature of these charges. The reconciliation for adjusted EPS is set out in note 16 of the financial statements.

SUMMARY

Adjusted profit before tax increased by 3.7% to £56.3m (2018: £54.3m) on higher revenues of £804.4m (2018: £792.9m). The relatively small increase in revenues reflects the larger customer base offset by the warm winter, and the impact of the Ofgem price cap, which reduced energy revenues in the final quarter. The improvement in adjusted pre-tax profit mainly reflects the organic growth in the number of services we are providing to our Members and improved terms from certain key suppliers, partially offset by continued investment in staff headcount, modest losses associated with our expansion into related business areas (such as Glow Green and Boiler & Home Cover insurance), and higher technology costs.

Within our Customer Acquisition operating segment, net costs increased to £19.5m (2018: £18.0m), mainly reflecting the increased growth in new customers and services during the year.

Distribution expenses increased to £26.0m (2018: £21.9m), mainly reflecting higher commissions and an increase in the cost of other incentives provided to Partners arising from higher levels of activity.

Administrative expenses increased during the year by £4.7m to £67.9m (2018: £63.2m) mainly as a result of higher remuneration costs (as we grow our headcount in line with the number of services we are supplying), costs associated with our expansion into related business areas, and greater costs associated with our digital transformation programme.

Adjusted earnings per share increased by 7.1% to 59.0p (2018: 55.1p), with statutory EPS increasing by 9.5% to 42.5p (2018: 38.8p). The increase in adjusted EPS reflects higher profits and the lower number of shares in issue following the share buyback in July 2018. In accordance with previous guidance and our strong cash position, the Board is proposing to pay a final dividend of 27p (2018: 26p) per share, making a total dividend of 52p (2018: 50p) per share for the year.

MARGINS

Our overall gross margin for the year was 18.6% (2018: 17.6%) mainly reflecting the improved terms from certain key suppliers and a lower proportion of energy sales due to the warm winter and the Ofgem price cap.

FINANCIAL REVIEW

CONTINUED

CUSTOMER MANAGEMENT

We delivered faster growth in the number of services we are supplying, with an increase of 191,000 services (2018: 52,000) during the course of the year, taking the total number of services provided within our Discount Club to over 2.5 million.

The relatively small increase in revenues reflects the warm winter and the impact of the Ofgem price cap which reduced energy revenues in the final quarter, partially offset by the increase in the number of services being supplied:

REVENUES £m	2019	2018
Electricity	351.2	337.5
Gas	268.1	280.3
Landline and Broadband	116.5	114.0
Mobile	32.5	30.8
Other	16.6	13.5
TOTAL	784.9	776.1

CUSTOMER ACQUISITION

Our Customer Acquisition operating segment loss increased to £19.5m (2018: £18.0m), mainly reflecting the greater number of new customers and services added 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 £26.0m (2018: £21.9m), mainly reflecting an increase in commissions paid to Partners due to a larger customer base and higher growth, and higher Partner incentive costs.

Within administrative expenses, the bad debt charge for the year of £8.1m (2018: £8.8m) remained broadly flat at 1.0% of revenues (2018: 1.1%).

The number of prepayment meters we installed during the year, many of which were provided at the Member's own request, fell to 4,209 (2018: 4,556). At the end of the year we had an installed base of 74,840 (2018: 71,796) 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). An investigation into the Group's debt management processes announced by Ofgem in June 2018 remains ongoing, and any potential exposure is not considered likely to be material.

The proportion of Members who have at least two energy bills outstanding has increased to 1.50% (2018: 1.34%). This is largely due to delays caused by third party engineers in fitting prepayment meters requested by customers and as a result of this we made the decision to establish UW Home Services in order to gain greater control over these processes.

Overall, administrative expenses (excluding share incentive scheme charges and amortisation of the energy supply agreement intangible) increased during the year by £4.7m to £67.9m (2018: £63.2m) mainly as a result of higher staff costs, expansion into new business areas, and higher technology costs. The increase in staff costs 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 our technology resources, regulatory functions and management structure, together with the broadening of the business through the acquisition of Glow Green Limited and the setting up of our own meter operator UW Home Services.

CASH, CAPITAL EXPENDITURE, WORKING CAPITAL AND BORROWINGS

We ended the period with a net debt position of £37.0m (2018: £11.2m), mainly reflecting the higher working capital requirements associated with changes to the phasing of certain energy industry payments, higher technology investment, smart meter roll-out costs, the success of our Quick Income Plan in driving higher levels of Partner activity, the establishment of our own meter operator (UW Home Services) and the share buy back in July 2018. A number of these increases were of a one-off nature, and more modest increases in working capital are anticipated over the coming years. The Group's Net Debt/EBITDA ratio remains low at around 0.6x (EBITDA of £62.0m used in this ratio represents adjusted pre-tax profit of £56.3m plus depreciation and amortisation of fixed assets of £4.4m and net interest costs of £1.3m).

Our net working capital position showed a year on year cash outflow of £22.3m primarily due to changes to the phasing of certain energy industry payments and the Quick Income Plan we launched for Partners earlier in the year. Capital expenditure of £7.5m (2018: £3.8m) related primarily to our continuing digital transformation programme.

Under the terms of our energy supply arrangements, the npower billing profile to the Group broadly equates to our customer billing profile, which helps to reduce the amount of working capital we need.

DIVIDEND

The final dividend of 27p per share (2018: 26p) will be paid on 2 August 2019 to shareholders on the register at the close of business on 12 July 2019 and is subject to approval by shareholders at the Company's Annual General Meeting which will be held on 25 July 2019. This makes a total dividend payable for the year of 52p (2018: 50p), an increase of 4.0% compared with the previous year.

Our intention going forward remains to bring our dividend pay-out ratio to around 85% of adjusted EPS over the medium term, whilst maintaining our long-standing progressive dividend policy. Consistent with this approach, and reflecting the profit guidance we have provided, we expect to increase our dividend to 57p per share for the current year.

SHARE INCENTIVE SCHEME CHARGES

Operating profit is stated after share incentive scheme charges of £1.8m (2018: £2.0m). These relate to an accounting charge under IFRS 2 Share Based Payments ('IFRS 2').

FINANCIAL REVIEW

CONTINUED

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 £10.2m (2018: £10.5m).

The effective tax rate for the year was 23.7% (2018: 25.6%).

Nick Schoenfeld
Chief Financial Officer
17 June 2019

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 reliant on its in-house developed and supported systems for the successful operation of its business model. Any failure in the operation of these systems could negatively impact service to Members, undermine Partner confidence, and potentially be damaging to the Group's brand. Application software is developed and maintained by the Group's Technology team to support the changing needs of the business using the best 'fit for purpose' tools and infrastructure. The Technology team is made up of highly skilled, motivated and experienced individuals.

Changes made to the systems are prioritised by business 'Product Managers' who clarify system needs. They work with the Technology teams undertaking the change to ensure a proper understanding and successful outcome. Changes are tested as extensively as reasonably practicable before deployment. Review and testing are carried out at various stages of the development by both the Technology team and the operational department who ultimately take ownership of the system.

The Group has strategic control over the core Member and Partner platforms including the software development frameworks and source code behind these key applications. The Group also uses strategic third-party vendors to deliver solutions outside of our core competency. This largely restricts our counterparty risks to services that can be replaced with alternative vendors if required, albeit this could lead to temporary disruption to the day-to-day operations of the business.

Monitoring, backing up and restoring of the software and underlying data are made on a regular basis. Backups are securely stored or replicated to different locations. Disaster recovery facilities are either provided through third-party hosting services or in certain cases maintained in a warm standby state in the event of a failure of the main system. These facilities are designed to ensure a near-seamless service can be maintained for Members.

DATA SECURITY RISK

The Group processes sensitive personal and commercial data and in doing so is required by law to protect customer and corporate information and data, as well as to keep its infrastructure secure. A breach of security could result in the Group facing prosecution and fines as well as loss of business from damage to the Group's reputation. Recovery could be hampered due to any extended period necessary to identify and recover a loss of sensitive information and financial losses could arise from fraud and theft. Unplanned costs could be incurred to restore the Group's security.

The Group has deployed both a consumer-facing and enterprise layered security strategy, providing effective control to mitigate the relevant threats and risks. External consultants conduct regular penetration testing of the Group's internal and external systems and network infrastructure.

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

Information security risks are overseen by the Group's Legal and Compliance team who are supported by security specialists.

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

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 licensed 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. An investigation into the Group's debt management processes announced by Ofgem in June 2018 remains ongoing, and any potential exposure is not considered likely to be material.

PRINCIPAL RISKS AND UNCERTAINTIES

CONTINUED

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 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, 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 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 PRICE RISK

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

PRINCIPAL RISKS AND UNCERTAINTIES

CONTINUED

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.

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 and through the establishment of the Group's own meter operator UW Home Services Limited.

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.

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.

UK WITHDRAWAL FROM THE EU RISK

The Directors do not anticipate that, as a UK centric business supplying core household services (where any increases in costs tend to be passed through into retail prices), the UK's potential withdrawal from the EU ("Brexit") will have any material negative impact on the Group's earnings or growth. It is not expected that Brexit will have a significant impact on the security of supply of the services the Group provides given its arrangements with key suppliers.

It is possible that if Brexit has a meaningful negative impact on the UK economy in the short term, certain consumers may face temporary hardship. However, as a supplier of essential non-discretionary household services to a large and diverse customer base, it is not expected that this will have a material overall impact on the Company's sales levels and exposure to credit risk. Nonetheless the situation is being kept under review.

PEOPLE AND ORGANISATION

EMPLOYEES

We depend on the input of around 1,490 employees across the Group to maintain relationships with our Members and Partners, as well as delivering a consistently high quality of service.

We put a lot of effort into recruiting new employees, ensuring that we recruit, train and retain people who have the appropriate skills, and care about making a positive contribution to the business. We continue to recruit new employees through our own Assessment Process which provides a high level of control over recruitment, and helps us identify the very best candidates for each available position.

After joining the Company, all new starters attend a structured training process, designed to equip them with the skills and knowledge they need to deliver the high standard of customer service we require. 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.

Our own Technical Advisor Apprenticeships have proved very successful and continue to play a vital role in supporting our demands in technical customer service recruitment.

We conduct department 'PULSE' surveys as and when required. These play an important part in allowing the business to understand what changes we need to make to keep our employees engaged, allowing them the opportunity to have their voices heard by submitting anonymous feedback.

In addition to our PULSE surveys, we hold biannual breakfast meetings for employees with the Chief Executive, where they can submit questions on any aspect of the business. This is an important vehicle for ensuring employees feel valued and listened to, whilst bridging the gap between employees and senior management.

Where possible, we engage with our staff regarding significant changes that 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.

We have a company magazine, "YOUW", which is distributed monthly, and is designed to give all employees the opportunity to share achievements and celebrate those of colleagues.

During the year we launched two different forums for staff to share ideas with their colleagues - the UW Life forum and the Diversity Forum. Both groups are chaired by various employees throughout the business whose purpose is to seek feedback from their business area. This feedback is discussed in regular meetings with the People and Culture Director, who as a group will consider what improvements can be made. As a direct result of these forums, various changes have been implemented to improve staff well-being, including the introduction of enhanced Company maternity pay.

We designed our head office building with the interests of our employees at heart, with state of the art facilities. We boast an auditorium, a games room equipped with pool and table tennis tables, relaxation pods, showers, and a subsidised cashless staff restaurant offering a wide range of cooked meals, along with a fresh salad and sandwich bar.

We provide monthly visits from a nurse who offers free health checks for all employees, as well as offering free flu jabs each winter to staff.

We're committed to supporting our employees' mental health. All staff have access to our Employee Assistance Helpline, offering employees and their families access to information, advice and professional counselling on a variety of personal and workplace issues.

We also hold a range of fun free events each year, such as our Summer Party, our Christmas Party which we hosted last year in the iconic Wembley Stadium, and our Christmas Grotto and Panto.

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

We encourage an active staff social committee. Our diversity forum is charged with organising different cultural events to involve all employees throughout the year. And we provide a 'Fun Fund', where each team is given a monthly allowance of £5 per person to be used towards bonding activities that they can enjoy together.

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 2019 there were outstanding options over 1,742,890 shares which had been granted to employees, representing approximately 2.2% of the issued share capital of the Company.

We encourage all employees to participate in a 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 Group:

	2019		2018	
	MALE	FEMALE	MALE	FEMALE
Board	6	1	6	1
Senior Managers	14	5	14	4
Employees	919	548	743	488

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 page 43.

On 25 March 2019, the Company published its second 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. The company's 2018 results show that the Gender Pay gap is reducing.

Since the release of the 2018 results, we have introduced enhanced Company maternity pay, giving eligible employees full pay for their first 12 weeks of maternity leave. We have also started maternity coaching to offer new mothers extra support during maternity leave and making their return to work as smooth as possible.

We were also proud to welcome Luci Ingram to our Senior Management Team at the beginning of 2019 as our new Legal & Compliance Director.

CORPORATE RESPONSIBILITY

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 launching this service, we have installed a cumulative total of almost 4,000,000 energy efficient bulbs in more than 100,000 Members' homes (both new and existing) who have switched their energy and telephony services to us. We continue to provide this benefit to c.3,000 additional homes each month, making a direct and significant positive impact on our carbon footprint as a major energy supplier.

Since moving to an online Member application process some years ago, we continue to reduce the amount of printed marketing materials we are using, and have succeeded in encouraging a substantial majority of our members to receive their monthly bills electronically, rather than in a paper format.

Our new boiler installation business only installs highly efficient A-rated boilers from Vaillant and Worcester Bosch, two of the world's leading manufacturers, thereby helping to reduce the amount of gas our customers are using by up to 25%.

We participate in a waste recycling programme, with a saving of approximately 208 trees and 38,127kg of CO₂ during the year (2018: 259 trees and 47,540kg of CO₂); we also 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 2018 to 31 March 2019. 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.

CORPORATE RESPONSIBILITY

CONTINUED

Global GHG emissions

	TOTAL EMISSIONS (TONNES CO ₂ e)	
	2018-2019	2017-2018
Emissions from combustion of fuel (scope 1)	1,024.6	337.4
Emissions from electricity, heat, steam and cooling purchased for own use (scope 2)	1,439.5	2,165.5
Total emissions	2,464.0	2,502.9
Intensity: Emissions per full time employee (FTE)	2.16 tCO ₂ e/FTE	2.14 tCO ₂ e/FTE

Scope 1 emissions have increased significantly due to the purchase of a 75% interest in Glow Green Limited (a boiler installation and servicing business), and due to the launch of UW Home Services Limited (the Group's own energy meter operator).

Scope 2 emissions have decreased during the year as a result of only 8% of the energy use for the Group's former head office building now falling under the Group's operational control. The remaining 92% is accounted for under the Group's scope 3 emissions given most of the former head office building is now tenanted by third parties.

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.

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 2018.

SOCIAL ENGAGEMENT

During the year, our Staff, Members and Partners were active in raising funds for our Charity Partner MIND. In addition, at a more local level, we have supported our neighbourhood by helping a local Residential Care home, Ashton Lodge along with our Local food bank, Colindale Food bank.

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 4 to 37, 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

By order of the Board
David Baxter
Company Secretary
17 June 2019

BOARD OF DIRECTORS



THE HON. CHARLES WIGODER, EXECUTIVE CHAIRMAN

Charles, aged 59, 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 59, qualified as a Chartered Accountant in 1986. He joined Huntleigh Technology PLC in 1987 and was promoted to Group Finance Director that year, and to Chairman in 2003. Julian was Chairman of the Association of British Healthcare Industries from 2006 to 2007. Following the sale of Huntleigh in 2007, he set up a company investing in start-ups. Julian actively supports many charitable activities. He is a Director of the Hospital of St. John & Elizabeth in London and a director of the City of London Sinfonia. Julian joined the Company in May 2010 as an independent non-executive director and, as determined by the Board (see Corporate Governance Statement on page 42), meets the test of independence under section B.1.1 of the UK Corporate Governance Code.



ANDREW LINDSAY MBE, CHIEF EXECUTIVE OFFICER

Andrew, aged 42, 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 48, 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 58, is the Senior Independent Director of AA PLC, the UK's leading provider of roadside assistance and Chairman of AA Insurance Holdings Limited. 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 58, is a main board Director and Chair of Remco (US) and Chairman of the International Advisory Board (UK) of Brown Advisory, a non-executive director of M&G Limited, senior independent non-executive director at Templeton Emerging Markets Investment Trust, Chairman at Millbank Financial Services Limited, senior independent non-executive director and Chairman of the Audit Committee at Henderson Smaller Companies Investment Trust, non-executive director of Foreign & Colonial Investment Trust PLC, a member of the Advisory Board of Hambro Perks Limited and adviser to a private family office. 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 60, 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 74 to 78 and the Directors' Remuneration Report on pages 52 to 73, 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).

TABLE OF ATTENDANCE AT FORMAL MEETINGS DURING THE YEAR ENDED 31 MARCH 2019

NAME OF DIRECTOR	BOARD	REMUNERATION COMMITTEE	AUDIT COMMITTEE	NOMINATION COMMITTEE
<i>Number of meetings</i>	10	3	3	1
Charles Wigoder	10	-	-	1
Julian Schild	10	3	3	1
Andrew Lindsay	10	-	-	-
Nick Schoenfeld	10	-	-	-
Andrew Blowers	10	3	3	-
Beatrice Hollond	10	3	3	1
Melvin Lawson	10	-	-	-

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.

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.

CORPORATE GOVERNANCE STATEMENT

CONTINUED

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 overall conclusion reached was that 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.

However, in the light of some of the responses received to the questionnaire, the Board have decided: (i) to establish a more centralised regulatory risk function; and (ii) to formally review Board diversity through the Nomination Committee to reflect current Government-led targets and investor objectives in this regard as detailed below.

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

The Code sets out circumstances which are likely to impair, or could appear to impair, a non-executive director's independence. These circumstances include serving on the board for more than nine years from the date of appointment. Julian Schild, non-executive Deputy Chairman, was appointed to the Board in May 2010 and has therefore now served over nine years as a director. Nonetheless, the Board considers that the independence of Mr Schild 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. Furthermore, none of the other circumstances listed in the Code as potentially impacting independence apply to Mr Schild.

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 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.

Nonetheless, the Committee recognises the increasing focus from investors on the potential benefits of Board diversity and Government-led targets in this regard and has therefore recommended to the Board that a further female independent non-executive director be actively sought. Further detail in relation to this process is set out in the Nomination Committee report on page 47.

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.

CORPORATE GOVERNANCE STATEMENT

CONTINUED

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 both Julian Schild and Melvin Lawson and has determined that they continue to provide an extremely valuable contribution to the Board as a result of their 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 52 to 73.

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 48 to 51.

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 47.

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.

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.

CORPORATE GOVERNANCE STATEMENT

CONTINUED

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 76 and 77.

By Order of the Board
David Baxter
Company Secretary
17 June 2019

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 2019

The Committee met once during the year and Committee matters were also 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.

As highlighted in the Corporate Governance Statement, the Board evaluation process highlighted that greater consideration be given to Board diversity. The Board was mindful of the increasing investor focus in this area and the formal Government-led targets for FTSE 350 companies. As such the Committee has been tasked with identifying and appointing an appropriate additional non-executive director to the Board later this year and the Board look forward to making a further announcement in this regard in due course.

The Committee's general 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 page 43 of this document.

Beatrice Hollond

Chairman of the Nomination Committee
On behalf of the Board
17 June 2019

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 41 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 2019

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 a financial 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 reviewed the relevant disclosures following the implementation of IFRS 15: Revenue from contracts with customers during the period.

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. KPMG LLP was first appointed as the Group's auditor with effect from February 2015, following a competitive tender process.

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

17 June 2019

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 52 to 73.

The Company's existing Remuneration Policy was approved by shareholders at the Annual General Meeting held in July 2016 and in accordance with the regulations we are submitting our updated Remuneration Policy, set out on pages 54 to 65 of this report, for approval by shareholders at the forthcoming Annual General Meeting to be held on 25 July 2019.

The Company's existing Remuneration Policy contained details of a long-term share incentive plan launched in 2016 ("the LTIP 2016"). Whilst the Committee continues to believe that the LTIP 2016 clearly aligned the interests of the directors with those of all other shareholders, the Committee acknowledges that a significant number of votes were cast against the original adoption of the LTIP 2016, and subsequently against the Remuneration Committee reports in 2017 and 2018. The Committee has therefore decided to remove the LTIP 2016 from the updated Remuneration Policy to be put to shareholders for approval at the forthcoming AGM and no further awards will be made under the plan.

The Committee has not at this stage proposed a new long-term incentive plan in the updated Remuneration Policy but intends to consider alternative future long-term incentive plans in due course. 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.

The existing awards made to directors under the LTIP 2016 will remain unaffected by the updated Remuneration Policy. The facility to grant conventional market-price share option awards to directors also remains in the updated policy, consistent with our approach for senior management and other key employees. However, further long-term incentive awards will not be made to anyone who continues to hold growth shares purchased under the 2016 LTIP other than in exceptional circumstances (e.g. a promotion which gave rise to a significant increase in their responsibilities).

As outlined in the last Annual Report, the Executive Chairman, Chief Executive and Chief Financial Officer received increases on their salaries to £452,369, £554,575 and £554,575 respectively for the year to 31 March 2019; the underlying increases were 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 reflected 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. No further awards under the LTIP 2016 were made to the executive directors during the year.

For the year to 31 March 2020, the Executive Chairman, Chief Executive and Chief Financial Officer will receive increases on their salaries to £461,416, £565,667 and £565,667 respectively; the increases are in line with the average cost of living increase for all employees of 2.00%.

In conclusion, I would like to thank shareholders for their continued and constructive engagement on remuneration matters during the year and I look forward to reporting the conclusions of our consideration of alternative long-term incentive plans in due course.

Andrew Blowers

Chairman of the Remuneration Committee
17 June 2019

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 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 three times during the year and details of attendance at these meetings are provided in the Corporate Governance Statement on page 41.

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 the updated Remuneration Policy.

REMUNERATION POLICY INTRODUCTION

The Company's overall remuneration policy is 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 long-term performance 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, which provide a far more transparent method of directly aligning the interests of such individuals 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.

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). It will be put to the Company's shareholders for approval at the AGM on 25 July 2019 and is intended to apply for the three years beginning on that date, subject to the introduction of any new long-term incentive plans in the interim. 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 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 with any changes are effective from 1 April each year, and also (where relevant) to reflect changes in the responsibilities of each individual.</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 companies.</p> <p>Increases may also reflect any change in the level of responsibility of the individual (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.
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.

REMUNERATION POLICY

CONTINUED

How component supports strategic objectives	Operation of component	Maximum potential value of component	Performance metrics used, weighting and time periods
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 would 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 during the year, 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 brought forward or carried back to be used in other years.</p>	<p>Performance measures will be appropriate to the role of 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 expected to be retained for a significant period.</p>
Ad hoc 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.

How component supports strategic objectives	Operation of component	Maximum potential value of component	Performance metrics used, weighting and time periods
Share Incentive Schemes			
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").</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, i.e. 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 Chief Financial Officer:</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> <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>

REMUNERATION POLICY

CONTINUED

How component supports strategic objectives	Operation of component	Maximum potential value of component	Performance metrics used, weighting and time periods
Share Incentive Schemes - continued			
			<p>The Company has the right to reduce or withhold the value that would otherwise accrue under the 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.
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. The percentage level of pension provision for executive directors will not exceed the highest percentage contribution rate payable to employees.	None.

How component supports strategic objectives	Operation of component	Maximum potential value of component	Performance metrics used, weighting and time periods
Shareholding Requirement			
To strengthen the long-term alignment of directors' interests with those of all shareholders.	Shareholding requirement policy is primarily derived from the issue of shares resulting from the exercise of awards made under the Share Incentive Schemes and existing awards made under the LTIP 2016.	<p>Executive directors are expected to progressively build and retain a shareholding in the Company worth 200% of basic salary over a maximum of 10 years; until such time as they have achieved this level, they are required to: (i) invest 5% of their net basic salary each year in acquiring shares in the Company; and (ii) retain not less than 25% of any shares issued to them under the LTIP 2016 or any other long-term incentive plan operated by the Company from time to time.</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> <p>The above holding periods continue to apply to participants after they cease to be employed by the Company; shares issued in future under any other long-term incentive plan will be subject to similar restrictions.</p> <p>Future share awards to directors will be made subject to a post-vest holding period.</p>	N/A

REMUNERATION POLICY

CONTINUED

Whilst no further grants will be made under the LTIP 2016, existing awards already made under the LTIP 2016 will remain in place and may vest in accordance with the previously agreed terms and conditions. The awards will remain in place until they expire in August 2026.

CHOICE OF PERFORMANCE MEASURES

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

Share Incentive Schemes

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.

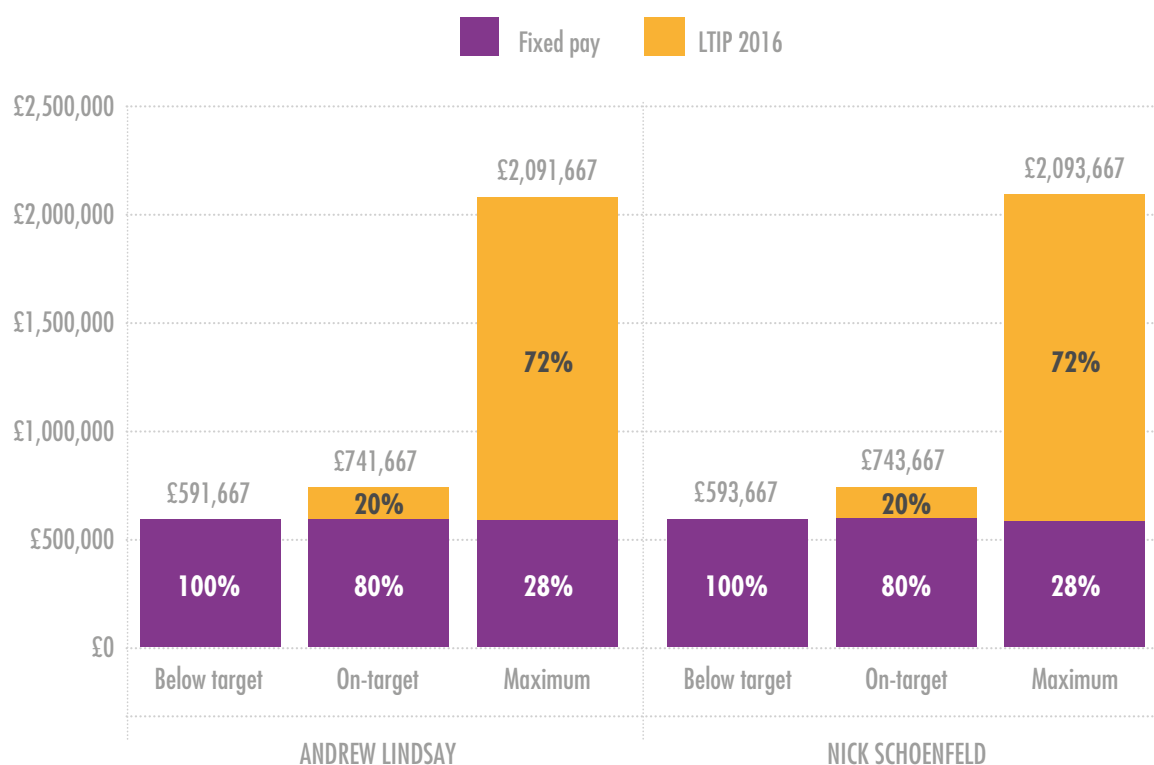
The use of relative TSR and Adjusted EPS growth measures provides a combined focus on the Company's financial performance and shareholder value creation. Targets for Adjusted EPS are set by reference to internal budgeting plans and external market expectations. TSR targets are set on a standard practice, 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 or if it considers it would be more likely to more appropriately drive long-term value creation within the Company.

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 2019.

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 elected not to participate in the LTIP 2016 or receive any other performance related pay, 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.	<p>6 - 12 months' notice from the Company.</p> <p>6 - 12 months' notice from the executive director.</p>	<p>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.</p> <p>All executive directors are subject to annual re-election by shareholders.</p>	N/A
Compensation for loss of office in service contracts.	<p>No more than base salary, benefits and pension contributions for the period of the executive director's notice.</p> <p>No contractual provision for additional compensation in the event of loss of office resulting from poor performance.</p>	<p>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.</p>	N/A
Treatment of unvested Share Incentive Scheme and LTIP 2016.	<p>Share Incentive Schemes</p> <p>All awards lapse except for "good leavers": i.e. 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.</p>	<p>Share Incentive Schemes</p> <p>A "good leaver" may exercise any subsisting share options within the period of 6 months from the date of cessation of employment.</p> <p>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".</p>	N/A

Standard provision	Policy	Details	Other provisions in service contracts
	<p>LTIP 2016</p> <p>All awards lapse except for “good leavers”: i.e. 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>	
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.

REMUNERATION POLICY

CONTINUED

APPROACH TO RECRUITMENT REMUNERATION

The Committee's approach is to pay the amount necessary to recruit the best candidate to each 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 where practicable would follow the same vesting timing and form (i.e. 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 similar 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, i.e. the payment of a base salary, benefits and share incentive scheme awards at market price. 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 with effect from 1 April 2018 as follows:

- Charles Wigoder - increased from £440,262 to £452,369;
- Andrew Lindsay - increased from £530,000 to £554,575; and
- Nick Schoenfeld - increased from £530,000 to £554,575.

The underlying increases were 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 reflected 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 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 other than for Julian Schild, the Company's senior non-executive director and Deputy Chairman, who received an increase from £35,000 to £40,000 per annum. This mainly reflected the fact that Mr Schild had not received an increase in base salary since his appointment in 2010.

YEAR ENDED 31 MARCH 2019 (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	452	-	-	-	452
Julian Schild	40	-	-	-	40
Andrew Lindsay	555	16	10	-	581
Nick Schoenfeld	555	18	10	-	583
Andrew Blowers	40	1	-	-	41
Beatrice Hollond	40	-	-	-	40
Melvin Lawson	12	-	-	-	12
TOTAL	1,694	35	20	-	1,749

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

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 include the provision of private health insurance to the directors.

SHARE INCENTIVE SCHEMES

The Company has two conventional share option plans and the LTIP 2016. No further awards will be made under the LTIP 2016 and it is being withdrawn from the Company's Remuneration Policy being submitted for approval by shareholders at the forthcoming AGM in July 2019. The first share option plan is 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 is appropriate to reflect that contribution, 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

CONTINUED

The LTIP 2016

The LTIP 2016 comprised 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. The following hurdles were therefore chosen, with no value accruing to participants unless either: (i) the share price rises to at least £20; or (ii) the adjusted earnings per share of the Company increases to at least 106.6p.

The initial participants were 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.

To assist shareholders in understanding the stretching nature of this incentive, the Company share price on 4 April 2017 (when the awards were made to initial participants) was £12.10 (the share price as at 31 March 2019 was £15.20).

One of the key drivers behind the introduction of LTIP 2016 was 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 were 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.

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 2018	GRANTED	EXERCISED/ LAPSED	31 MARCH 2019	EXERCISE PRICE PER SHARE	EXERCISABLE FROM	EXPIRY DATE
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CHARLES WIGODER

<i>SAYE Scheme</i>							
25 Sept 2015	1,701	-	1,701	-	1058p	1 Nov 18	30 Apr 19
23 August 2018	-	1,727	-	1,727	1042p	1 Nov 21	30 Apr 22

ANDREW LINDSAY

<i>LTIP 2016 – growth shares</i>							
4 April 2017	7,500	-	-	7,500	n/a	1 Aug 19	31 Aug 26
4 April 2017	7,500	-	-	7,500	n/a	1 Aug 21	31 Aug 26
4 April 2017	7,500	-	-	7,500	n/a	1 Aug 23	31 Aug 26
4 April 2017	7,500	-	-	7,500	n/a	1 Aug 26	31 Aug 26
<i>SAYE Scheme</i>							
25 Sept 2015	1,701	-	1,701	-	1058p	1 Nov 18	30 Apr 19

NICK SCHOENFELD

<i>LTIP 2016 – growth shares</i>							
4 April 2017	7,500	-	-	7,500	n/a	1 Aug 19	31 Aug 26
4 April 2017	7,500	-	-	7,500	n/a	1 Aug 21	31 Aug 26
4 April 2017	7,500	-	-	7,500	n/a	1 Aug 23	31 Aug 26
4 April 2017	7,500	-	-	7,500	n/a	1 Aug 26	31 Aug 26
<i>SAYE Scheme</i>							
25 Sept 2015	1,701	-	1,701	-	1058p	1 Nov 18	30 Apr 19

ANNUAL REPORT ON REMUNERATION

CONTINUED

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.

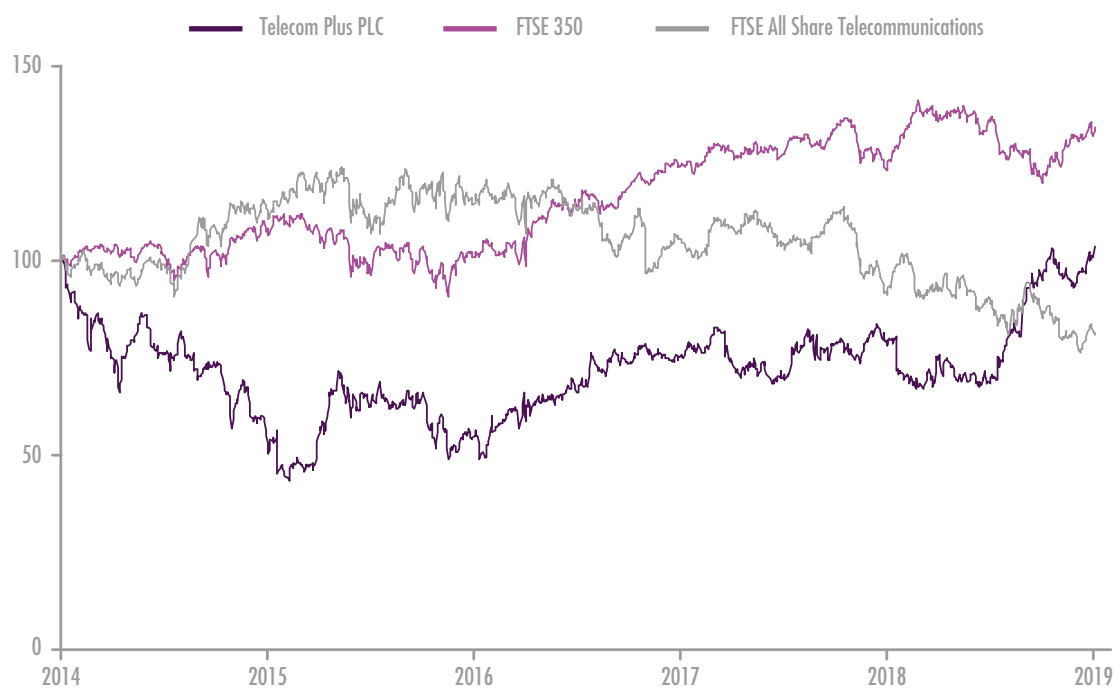
PENSION SCHEMES (AUDITED)

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 66.

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 2014 to 29 March 2019. 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 18.5% 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

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	2015	2016	2017	2018	2019
Single figure of total remuneration £'000	2,175	513	523	555	581
Percentage of maximum of share incentives vesting in year %	100	N/A	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 2016, 2017, 2018 and 2019.

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	2019 £'000	2018 £'000	CHANGE %
Salary	555	530	4.72%
Benefits	16	5	320.0%

The Group's pay review for the year ended 31 March 2019 which took effect on 1 April 2018 awarded average percentage increases in salaries to employees of 2.75%.

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	2019 £'000	2018 £'000	CHANGE %
Wages and salaries	44,993	36,772	22.4%
Dividends paid	39,739	38,273	3.8%

ANNUAL REPORT ON REMUNERATION

CONTINUED

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN THE FOLLOWING FINANCIAL YEAR

Base Salaries

For the year to 31 March 2020 the Committee recommended that the Executive Chairman, Chief Executive and Chief Financial Officer receive increases on their salaries to £461,416, £565,667 and £565,667 respectively; the increases are in line with the Company's average cost of living increase for all employees of 2.00%.

The wider Board, also recommended an increase in the base salaries of non-executive directors Julian Schild, Andrew Blowers and Beatrice Hollond from £40,000 to £45,000. These increases were made to factor in prevailing market rates and the level of inflation over recent years which had not previously been reflected. Melvin Lawson chose to waive any increase in his current £12,000 fee.

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:

	2018 AGM	%
<i>To approve the 2018 Remuneration Report</i>		
Votes cast in favour & Chairman discretion	45,308,052	79.48
Votes cast against	11,695,914	20.52
Total	57,003,966	100.00

In addition to the above there were 23,666 votes withheld.

The Committee believes that the key factor behind the number of votes cast against the Remuneration Report were continuing concerns around the awards made under the LTIP 2016. As set out earlier in this report, the Committee has therefore decided that no further awards will be made under the LTIP 2016.

THE UK CORPORATE GOVERNANCE CODE

The Committee acknowledges the amendments made in relation to remuneration in the Corporate Governance Code issued by the FRC in July 2018 which is applicable from the Company's financial year ended 31 March 2020. In particular the Committee notes: (i) the new requirement for share awards granted to executive directors to be released for sale on a phased basis and be subject to a total vesting and holding period of five years or more; and (ii) that remuneration committees should develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares. In this regard the Committee has made certain amendments to the updated Remuneration Policy set out earlier in this report.

Andrew Blowers

Chairman of the Remuneration Committee

On behalf of the Board

17 June 2019

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements for the year to 31 March 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

A full review of the development of the business is contained in the Strategic Report on pages 4 to 37. 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 £32,825,000 (2018: £30,490,000) has been transferred to reserves. An interim dividend of 25p per share (2018: 24p) was paid during the year. A final dividend of 27p per share (2018: 26p per share) is proposed. On 17 April 2019 the Board announced that it expected adjusted profit before tax from continuing activities to be around £56.0 million for the year ended 31 March 2019. The actual adjusted profit before tax for the year ended 31 March 2019 was £56.3 million (see Financial Review page 21).

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 page 69.

DIRECTOR	ORDINARY 5p SHARES HELD AT	
	31 MARCH 2019	31 MARCH 2018
Charles Wigoder	16,012,442	16,010,741
Julian Schild*	189,932	189,932
Andrew Lindsay	359,149	357,448
Nick Schoenfeld	7,951	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 3,767,683 shares (2018: 3,467,683).

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.

DIRECTORS' REPORT

CONTINUED

SUBSTANTIAL SHAREHOLDERS

As at 17 June 2019, 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	10,543,302	13.5%
Schroders PLC	5,564,978	7.1%
Canaccord Genuity Group Inc.	2,828,551	3.6%
Norges Bank Investment Management	2,568,273	3.3%
JP Morgan Asset Management	2,547,782	3.3%

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 2019 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 2019 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 26 July 2018, the Company obtained authority to purchase up to 7,839,960 ordinary shares representing approximately 10% of the issued ordinary share capital (excluding treasury shares) as at 22 June 2018. The Company intends to renew this authority at this year's AGM.

As previously announced at the half yearly results, the Company bought back 422,276 shares for a total consideration of £4.7 million in July 2018. These shares were transferred to treasury.

Treasury shares

The Company held 482,276 ordinary shares in treasury as at 31 March 2019 (2018: 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 40 to 46.

DIRECTORS' REPORT

CONTINUED

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 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 2022.

The directors have determined that a three-year period to 31 March 2022 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.

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.

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 £60 million was drawn down as at 31 March 2019.

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

17 June 2019

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
17 June 2019

Nick Schoenfeld

Chief Financial Officer
17 June 2019

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 2019 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 95 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 2019 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 five financial years ended 31 March 2019. 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	£2.0m (2018: £1.8m)	
	4.7% (2018: 4.5% normalised group profit before tax from continuing operations) of profit before tax	
Coverage	98% (2018: 100%) of group profit before tax from continuing operations	
RISKS OF MATERIAL MISSTATEMENT VS 2018		
Recurring risks	Energy revenue recognition	◀▶
	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 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>(£619.3m; 2018 £617.8m)</p> <p>Refer to page 49 (Audit Committee Report), page 98 (accounting policy) and page 106 (financial disclosures).</p>	<p>An element of 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 2019 and as a result revenues may be misstated.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the estimated energy revenue has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.</p>	<p>• Control design: testing the design and implementation of the Group's controls over 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 2019 and 2 April 2019, 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 to be acceptable (2018 result: acceptable).</p>

	THE RISK	OUR RESPONSE
Recoverability of parent Company's investment in subsidiaries (£262.0m; 2018: £262.0m) Refer to page 48 (Audit Committee Report), page 101 (accounting policy) and pages 113 to 114 (financial disclosures).	Low risk, high value The carrying amount of the parent company's investments in subsidiaries represents 99% (2018: 99%) 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 respective subsidiaries' 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 results <ul style="list-style-type: none"> • We found the Group's assessment of the recoverability of the investment in subsidiaries to be acceptable (2018 result: acceptable).

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 £2.0m (2018: £1.8m), determined with reference to a benchmark of group profit before tax from continuing operations of £43.0m (2018: £39.8m, normalised to exclude a recovery of £1.2 million of previously incurred costs relating to the smart meter roll-out programme) of which it represents 4.7% (2018: 4.5%).

Materiality for the parent company financial statements as a whole was set at £1.5m (2018: £1.3m), determined with reference to a benchmark of company total assets, of which it represents 0.6% (2018: 0.5%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £100,000 (2018: £90,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

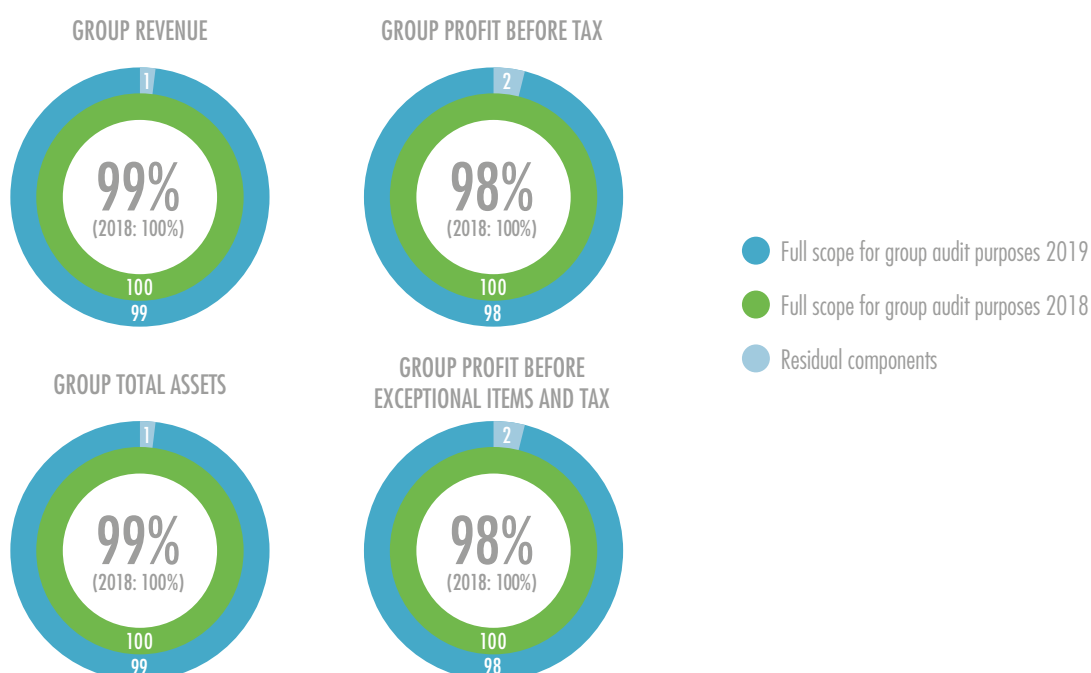
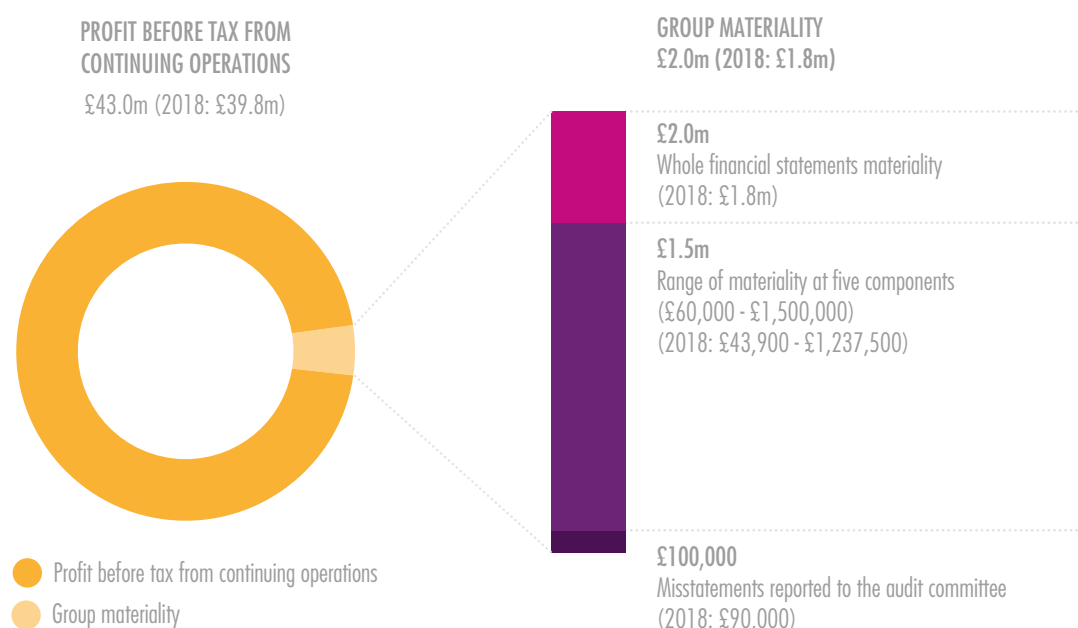
Of the group's 7 (2018: 5) reporting components, we subjected 5 (2018: 4) to full scope audits for group purposes. All audits were conducted by the Group team, with a component materiality ranging from £60,000 to £1,500,000 (2018: £43,900 to £1,237,500).

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

CONTINUED

The components within the scope of our work accounted for the percentages illustrated below.

The remaining 1% of total group revenue, 2% of group profit before tax and 1% of total group assets is represented by 2 reporting components, none of which individually represented more than 2% of any of total group revenue, group profit before tax or total group assets. For these residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.



4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- The potential churn of the customer base as a result of increased competition.

As these were risks that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources.

Based on this work, 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 note 1 to the financial statements 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 page 78 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

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.

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

CONTINUED

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 the Risk, Control and Viability Statement, page 78 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.

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

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

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 page 79, 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 general commercial and 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 and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

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

CONTINUED

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: certain aspects of company legislation recognising the regulated nature of the group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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
17 June 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 £'000	2018 £'000
Revenue	1	804,438	792,872
Cost of sales		(654,874)	(653,237)
Gross profit		149,564	139,635
Distribution expenses		(25,981)	(21,879)
Share incentive scheme charges		(10)	(60)
Total distribution expenses		(25,991)	(21,939)
Administrative expenses		(67,916)	(63,222)
Share incentive scheme charges		(1,772)	(1,971)
Amortisation of energy supply contract intangible		(11,228)	(11,228)
Total administrative expenses		(80,916)	(76,421)
Other income		1,656	629
Operating profit	1,2	44,313	41,904
Financial income		206	92
Financial expenses		(1,520)	(997)
Net financial expense		(1,314)	(905)
Profit before taxation		42,999	40,999
Taxation	4	(10,174)	(10,509)
Profit for the period		32,825	30,490
Profit and other comprehensive income for the year attributable to owners of the parent		33,103	30,490
Loss for the year attributable to non-controlling interest		(278)	-
Profit for the period		32,825	30,490
Basic earnings per share		42.5p	38.8p
Diluted earnings per share		42.3p	38.6p

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2019

	Note	2019 £'000	2018 £'000
Assets			
Non-current assets			
Property, plant and equipment	5	30,579	29,165
Investment property	5	8,621	8,705
Intangible assets	6	173,655	181,110
Goodwill	7	5,324	3,742
Other non-current assets	10	19,052	16,274
Total non-current assets		237,231	238,996
Current assets			
Inventories		4,781	6,101
Trade and other receivables	11	48,450	37,788
Prepayments and accrued income	11	119,190	126,884
Cash		24,166	28,151
Total current assets		196,587	198,924
Total assets		433,818	437,920
Current liabilities			
Trade and other payables	13	(31,064)	(30,983)
Current tax payable		(5,065)	(5,210)
Accrued expenses and deferred income	14	(111,386)	(134,708)
Total current liabilities		(147,515)	(170,901)
Non-current liabilities			
Long term borrowings	12	(59,598)	(39,369)
Finance leases		(1,616)	-
Deferred tax	9	-	(635)
Total non-current liabilities		(61,214)	(40,004)
Total assets less total liabilities		225,089	227,015
Equity			
Share capital	15	3,950	3,930
Share premium		141,732	139,055
Capital redemption reserve		107	107
Treasury shares	15	(5,502)	(760)
JSOP reserve		(1,150)	(1,150)
Retained earnings		86,230	85,833
Non-controlling interest		(278)	-
Total equity		225,089	227,015

These accounts were approved and authorised for issue by the Board on 17 June 2019

Andrew Lindsay	Director
Nick Schoenfeld	Director

COMPANY BALANCE SHEET

AS AT 31 MARCH 2019

	Note	2019 £'000	2018 £'000
Assets			
Non-current assets			
Investments in subsidiary undertakings	8	262,037	262,037
Other non-current assets	10	2,956	2,956
Total non-current assets		264,993	264,993
Current assets			
Trade and other receivables	11	59	14
Prepayments and accrued income	11	29	13
Cash		292	3
Total current assets		380	30
Total assets		265,373	265,023
Current liabilities			
Trade and other payables	13	(76,254)	(63,651)
Accrued expenses and deferred income	14	-	(9)
Total current liabilities		(76,254)	(63,660)
Non-current liabilities		-	-
Total assets less total liabilities		189,119	201,363
Equity			
Share capital	15	3,942	3,923
Share premium		141,732	139,055
Capital redemption reserve		107	107
Treasury shares	15	(5,502)	(760)
Retained earnings		48,840	59,038
Total equity		189,119	201,363

These accounts were approved and authorised for issue by the Board on 17 June 2019

Andrew Lindsay

Director

Nick Schoenfeld

Director

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Operating activities				
Profit/(loss) before taxation	42,999	40,999	(459)	(393)
Adjustments for:				
Net financial expense	1,314	905	-	-
Depreciation of property, plant and equipment	3,100	3,362	-	-
Loss/(profit) on disposal of fixed assets	1	(1)	-	-
Amortisation of intangible assets	12,509	12,244	-	-
Amortisation of debt arrangement fees	229	229	-	-
Decrease/(increase) in inventories	1,320	(3,425)	-	-
Increase in trade and other receivables	(5,695)	(38,071)	(61)	(22)
(Decrease)/increase in trade and other payables	(23,457)	29,784	22	19
Increase in inter-company payable	-	-	12,572	63,626
Non-cash adjustments arising from IFRSs 9 and 15	6,348	-	-	-
Non-cash adjustments arising from acquisitions	(834)	-	-	-
Share incentive scheme charges	1,783	2,031	-	-
Corporation tax paid	(12,148)	(10,675)	-	-
Net cash flow from operating activities	27,469	37,382	12,074	63,230
Investing activities				
Purchase of property, plant and equipment	(2,495)	(1,028)	-	-
Purchase of fixed assets under finance leases	(1,557)	-	-	-
Purchase of intangible assets	(5,054)	(2,779)	-	-
Disposal of property, plant and equipment	5	3	-	-
Distributions from subsidiary companies	-	-	30,000	-
Purchase of shares in subsidiaries acquired (net of cash acquired)	(709)	-	-	-
Interest received	167	81	-	-
Cash flow from investing activities	(9,643)	(3,723)	30,000	-
Financing activities				
Dividends paid	(39,739)	(38,273)	(39,739)	(38,273)
Interest paid	(1,310)	(1,020)	-	-
Drawdown of long term borrowing facilities	20,000	40,000	-	-
Finance leases for the purchase of fixed assets	1,557	-	-	-
Repayment of other borrowings	(274)	-	-	-
Issue of new B shares in subsidiary	1	7	-	-
Issue of new ordinary shares	2,696	419	2,696	419
Purchase of own shares	(4,742)	(25,373)	(4,742)	(25,373)
Cash flow from financing activities	(21,811)	(24,240)	(41,785)	(63,227)
(Decrease)/increase in cash and cash equivalents	(3,985)	9,419	289	3
Net cash and cash equivalents at the beginning of the year	28,151	18,732	3	18,368
Cash balances transferred to subsidiary	-	-	-	(18,368)
Net cash and cash equivalents at the year end	24,166	28,151	292	3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

Consolidated	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares £'000	JSOP reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total £'000
Balance at 1 April 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
Balance at 1 April 2018	3,930	139,055	107	(760)	(1,150)	85,833	-	227,015
Opening balance adjustments	-	-	-	-	-	5,068	-	5,068
Revised opening balances	3,930	139,055	107	(760)	(1,150)	90,901	-	232,083
Profit and total comprehensive income	-	-	-	-	-	33,103	(278)	32,825
Dividends	-	-	-	-	-	(39,739)	-	(39,739)
Credit arising on share options	-	-	-	-	-	1,783	-	1,783
Deferred tax on share options	-	-	-	-	-	182	-	182
Issue of new ordinary shares	19	2,677	-	-	-	-	-	2,696
Issue of B shares in subsidiary	1	-	-	-	-	-	-	1
Purchase of treasury shares	-	-	-	(4,742)	-	-	-	(4,742)
Balance at 31 March 2019	3,950	141,732	107	(5,502)	(1,150)	86,230	(278)	225,089

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

Company	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2017	4,024	138,642	-	(760)	123,077	264,983
Profit and total comprehensive income/(loss)	-	-	-	-	(393)	(393)
Dividends	-	-	-	-	(38,273)	(38,273)
Credit arising on share options	6	413	-	-	-	419
Issue of new ordinary shares	(107)	-	107	-	(25,373)	(25,373)
Balance at 31 March 2018	3,923	139,055	107	(760)	59,038	201,363
Profit and total comprehensive income/(loss)	-	-	-	-	(459)	(459)
Distributions from subsidiary companies	-	-	-	-	30,000	30,000
Dividends	-	-	-	-	(39,739)	(39,739)
Issue of new ordinary shares	19	2,677	-	-	-	2,696
Purchase of treasury shares	-	-	-	(4,742)	-	(4,742)
Balance at 31 March 2019	3,942	141,732	107	(5,502)	48,840	189,119

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 2019 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 17 June 2019.

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 4 to 37. 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.

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 £60 million was drawn down as at 31 March 2019 (2018: £40m 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.

Acquisitions

On 31 May 2018 the Group acquired 75% of the ordinary share capital of Glow Green Limited, a small 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. Further detail of the acquisitions is set out in note 22 of these financial statements.

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 £619.3m (2018: £617.8m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation (continued)

(i) Revenue recognition (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.

Significant judgements

There are no key judgements made by management in the process of applying the Group's accounting policies.

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 £459,000 before the receipt of distributions from subsidiary companies of £30,000,000 (2018: loss of £393,000).

The Group was required to apply IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers) for the first time during the period. Details of the impact of these standards is set out in note 21 of these financial statements.

(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.

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 transfer 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 also offers home insurance services to customers. 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 considered independently for the purposes of a performance obligation to determine how the price is derived.

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 Group transfers control of the services to the customer as the customer simultaneously receives and consumes the benefits provided by the entity performance. 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 the relative standalone selling prices of each distinct performance obligation. Revenue is recognised during the period in which the services are transferred and any unbilled revenue is accrued at each period end. Revenue for mobile handset sales are considered a separate performance obligation recognised when the Group transfers control of the devices to the end user.

In the provision of broadband services, the Group provides its customers with a broadband router at the start of their contract. 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 has resulted in an allocation of revenue to the broadband routers, which is being recognised as control of the routers is passed to the customer – i.e. on receipt of the router. There is a corresponding reduction compared to the previous accounting treatment in revenues from broadband services over the remaining contractual term.

The terms and conditions under which broadband routers are supplied to customers changed from mid-September 2018 and routers shipped after this date are now accounted for as finance leases rather than under IFRS 15. The Group therefore recognises the sale of the router at the retail price and creates a finance lease asset on the balance sheet for the routers shipped to customers in a given month. This asset is then amortised through a charge to the profit and loss account at the rate of interest that causes the present value of the future lease payments to equal the sum of the fair value of the asset.

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 fixed monthly fee to cover provision of card management services; and (ii) 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.

In addition, the Group charges a small administrative fee for facilitating the issue of each CashBack card. 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 is now therefore being recognised over the expected life of the customer.

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 Group transfers control of the services to the customer, or the late payment fees are incurred, and any unbilled revenue is accrued at each period end.

In marketing the sale of bundled services, the Group offers most “Double Gold” and certain “Gold” customers the provision and installation of LED light bulbs throughout their homes (the ‘Daffodil’ scheme).

The provision of Daffodil light bulbs is distinct from the provision of the other bundled goods and services. This has resulted in an allocation of revenue to the light bulbs, which is being recognised as control of the light bulbs is passed to the customer – i.e. at the point of installation by a Utility Warehouse fitter. There is a corresponding reduction compared to the previous accounting treatment in revenues from services over the remaining contractual term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Distributor commissions

The Group's Partners earn commissions mainly 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'). Trailing commissions are recognised in the Statement of Comprehensive Income as they are earned by distributors on an accruals basis. Under IFRS 15, upfront commissions are capitalised and amortised over the expected life of the customer.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment

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

Freehold buildings	50 years
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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment (continued)

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 expected lifetime credit losses in accordance with IFRS 9. 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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 following standard is not yet effective in the consolidated Group financial statements but has been endorsed by the EU:

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

IFRS 16: Leases

The Group will adopt IFRS 16 on 1 April 2019. The standard will result in many current operating leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed.

The Group will apply the modified retrospective transition method. Under this method, comparative information will not be restated, but the impact of IFRS 16 will be recognised within opening balances as at 1 April 2019. The Group will recognise right-of-use assets representing its right to use underlying assets, and corresponding lease liabilities representing its obligation to make lease payments. Right-of-use assets will be valued as equal to lease liabilities.

The lease term is calculated as the non-cancellable period of the lease contract, except where the Group is reasonably certain that it will exercise contractual extension options. Operating lease expenses will be replaced by a depreciation expense on the right-of-use assets recognised and an interest expense.

Where the interest rate implicit in the lease cannot be readily determined, the Group's incremental borrowing rate will be used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Group has elected to use the following practical expedients allowed by the standard:

On initial application:

- i) the use of hindsight when determining the lease term if the contract contains options to extend or terminate the lease;
- ii) the exclusion of initial direct costs from the measurement of the right-of-use asset; and
- iii) IFRS 16 will only be applied to contracts that were previously classified as leases.

Lease payments for contracts with a duration of 12 months or less and/or contracts for which the underlying asset is of a low value will continue to be expensed to the income statement on a straight-line basis over the lease term. At transition, where the lease term ends within 12 months of 1 April 2019, these leases will be treated as short-term.

On adoption of IFRS 16, the Group expects to recognise additional right-of-use assets and corresponding lease liabilities on the balance sheet, the quantum of which will be broadly in line with the amounts set out in note 17. The impact on net assets on the balance sheet and the profit before tax in the Consolidated Income Statement is not expected to be material.

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- Amendments to References to the Conceptual Framework in IFRS Standards (effective date to be confirmed).
- Annual Improvements to IFRS Standards 2015-2017 Cycle (effective date to be confirmed).

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, home insurance and boiler installation services to residential and small business customers.

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

Operating segments

	Year ended 31 March 2019			Year ended 31 March 2018		
	Customer Management £'000	Customer Acquisition £'000	Total £'000	Customer Management £'000	Customer Acquisition £'000	Total £'000
Revenue	784,973	19,465	804,438	776,087	16,785	792,872
Segment result	63,862	(19,549)	44,313	59,859	(17,955)	41,904
Operating profit			44,313			41,904
Net financing expense			(1,314)			(905)
Profit before taxation			42,999			40,999
Taxation			(10,174)			(10,509)
Profit for the period			32,825			30,490
Segment assets	421,312	12,506	433,818	428,447	9,473	437,920
Total assets	421,312	12,506	433,818	428,447	9,473	437,920
Segment liabilities	(205,558)	(3,171)	(208,729)	(207,567)	(3,338)	(210,905)
Net assets			225,089			227,015
Capital expenditure	(7,365)	(184)	(7,549)	(3,727)	(80)	(3,807)
Depreciation	3,024	76	3,100	3,291	71	3,362
Amortisation	12,509	-	12,509	12,244	-	12,244

Statutory operating profit is stated after deducting share incentive scheme charges (£1.8m) 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

	2019 £'000	2018 £'000
Customer Management		
- Electricity	351,197	337,461
- Gas	268,140	280,293
- Fixed communications	116,522	114,050
- Mobile	32,477	30,828
- Other	16,637	13,455
	784,973	776,087
Customer Acquisition	19,465	16,785
	804,438	792,872

The Group operates solely in the United Kingdom.

2. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2019 £'000	2018 £'000
Depreciation and amortisation	15,609	15,606
Loss/(profit) on disposal of fixed assets	1	(1)
Operating lease rentals - land and buildings	320	98
Auditor's remuneration - audit of Company and consolidated accounts	170	159
- audit of subsidiaries of the Company	50	46
- audit related assurance services	28	28
- other services	-	-
Inventories expensed	19,745	19,538
Receivables and accrued income impairment cost	8,136	8,846
Recovery of EMR levy costs previously incurred	-	(1,169)
Rental income	(1,093)	(629)

Total fees paid to the auditor KPMG LLP during the year were £248,000 (2018: £233,000), including non-audit services of £28,000 (2018: £28,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PERSONNEL EXPENSES

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

	2019 £'000	2018 £'000
Wages and salaries	44,993	36,772
Social security costs	4,677	3,642
Pension contributions	1,025	704
	50,695	41,118
Share incentive scheme charges	1,772	1,971
	52,467	43,089

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

	2019	2018
Customer Acquisition	170	133
Customer Management	1,217	1,044
	1,387	1,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. TAXATION

(i) Recognised in the Statement of Comprehensive Income

	2019 £'000	2018 £'000
Current tax charge		
Current year	10,597	10,490
Adjustments for prior years	93	(11)
	10,690	10,479
Deferred tax charge		
Decelerated capital allowances	53	10
(Reduction)/increase in respect of share options	(566)	27
Adjustment for prior years	(3)	(7)
	(516)	30
Total tax charge	10,174	10,509

(ii) Reconciliation of total tax charge

	2019 £'000	2018 £'000
Profit before tax	42,999	40,999
Corporation tax using the UK corporation tax rate of 19% (2018: 19%)	8,170	7,790
Expenses not deductible for taxation purposes	2,403	2,475
Adjustment in respect of share options	(863)	284
Reduction in rate of future taxes	-	(29)
Adjustments in respect of prior years - current tax	93	(11)
- deferred tax	(3)	-
Other deferred tax adjustments	374	-
Total tax charge	10,174	10,509

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 asset at 31 March 2019 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							
2019							
Cost							
At 1 April 2018	13,102	27,383	764	709	11,708	1,523	55,189
Transfers from acquisitions	-	-	8	-	81	676	765
Additions	217	-	117	19	1,817	1,882	4,052
Disposals	-	-	-	-	-	(9)	(9)
At 31 March 2019	13,319	27,383	889	728	13,606	4,072	59,997
Depreciation							
At 1 April 2018	(4,397)	(2,694)	(731)	(138)	(8,531)	(828)	(17,319)
Transfers from acquisitions	-	-	(3)	-	(28)	(350)	(381)
Charge for the year	(301)	(855)	(31)	(48)	(1,435)	(430)	(3,100)
Disposals	-	-	-	-	-	3	3
At 31 March 2019	(4,698)	(3,549)	(765)	(186)	(9,994)	(1,605)	(20,797)
Net book amounts							
At 31 March 2019	8,621	23,834	124	542	3,612	2,467	39,200

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

Motor vehicles include assets held under finance leases with a net book value as at 31 March 2019 of £1.5m (2018: £Nil).

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							
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
At 31 March 2017	9,089	25,543	59	615	4,000	900	40,206

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 2018	224,563	8,350	232,913
Additions	-	5,054	5,054
At 31 March 2019	224,563	13,404	237,967
Amortisation			
At 1 April 2018	(48,655)	(3,148)	(51,803)
Charge for the period	(11,228)	(1,281)	(12,509)
At 31 March 2019	(59,883)	(4,429)	(64,312)
Net book amount at 31 March 2019	164,680	8,975	173,655
Net book amount at 31 March 2018	175,908	5,202	181,110

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 2019 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 2019 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 Company announced on 17 April 2019 that a number of changes to the energy supply arrangements with npower had been successfully negotiated, further details are set out in the Chairman's Statement on page 7.

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 £4.8 million (2018: £2.6m) 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
2019	
Cost	
At 1 April 2018	4,558
Additions	1,582
At 31 March 2019	6,140
Impairment	
At 1 April 2018 and 31 March 2019	816
Carrying amounts	
At 31 March 2019	5,324
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
At 31 March 2017	3,742

Goodwill principally relates to the Company's subsidiary Telecommunications Management Limited ('TML'), Glow Green Limited ('Glow Green') and Cofield Limited ('Cofield') cash generating units, which are included within the Customer Management operating segment.

The Group regularly monitors the carrying amount of its goodwill. A review was undertaken at 31 March 2019 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.

In relation to TML, 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 2019 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.

In relation to Glow Green and Cofield, a pre-tax discount rate of 18.5% was used which was considered appropriate given the relatively small size and infancy of the businesses, offset by the expected growth profile. It is expected that the businesses will grow profitably under the Group's ownership. The result of the review undertaken at 31 March 2019 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

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 2019 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 on 1 April 2017.

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 (2018: £2,275,000), which represents the maximum exposure to loss from its interest in the JSOP Share Trust.

Utility Warehouse Limited 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 licensed 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.

Utility Warehouse Limited also owns 100% of the ordinary share capital of UW Home Services Limited ('UW Home Services'), being one £1 share. UW Home Services is a licensed meter operator which fits energy meters into properties.

Utility Warehouse Limited owns 75% of the share capital of Glow Green Limited, being 2,502 £0.001 shares, and 75% of the share capital of Cofield Limited, being 6,000 £0.001 shares. Glow Green Limited is a small supplier/installer of domestic gas boilers and warranty/care plans. Cofield Limited is a small online retailer of central heating equipment to the plumbing industry.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INVESTMENTS (CONTINUED)

As at 31 March 2019, Utility Warehouse Limited also owned 100% of the ordinary share capital of eight dormant non-trading subsidiaries as listed below:

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

As at 31 March 2019, 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 (other than Glow Green Limited and Cofield Limited) is: Network HQ, 508 Edgware Road, London, NW9 5AB. The registered office of Glow Green Limited is: 26-32 Oxford Road, Avalon, Bournemouth, England, BH8 8EZ, and the registered office of Cofield Limited is: Unit 5 20 Airfield Way, Christchurch, England, BH23 3PE. 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	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Tax effect of temporary differences:				
Accelerated capital allowances	(1,280)	(1,215)	-	-
Other short term temporary differences	14	14	-	-
Employee benefits expected in excess of amount expensed	1,331	566	-	-
Transfers from acquisitions	(28)	-	-	-
	37	(635)	-	-

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
At 1 April	(635)	(605)	-	(609)
Transfers to subsidiaries	-	-	-	609
Charged to the Statement of Comprehensive Income	518	(30)	-	-
Taken to equity	182	-	-	-
Transfers from acquisitions	(28)	-	-	-
At 31 March	37	(635)	-	-

10. OTHER NON-CURRENT ASSETS

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Hire purchase agreements receivable	3,818	4,183	-	-
Finance lease assets	2,591	-	-	-
Loan to JSOP Share Trust	-	-	2,275	2,275
Trade receivables	8,248	7,725	-	-
Other non-current receivables	4,358	4,366	681	681
Deferred tax	37	-	-	-
Total other non-current assets	19,052	16,274	2,956	2,956

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. RECEIVABLES AND ACCRUED INCOME

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade and other receivables	47,081	36,458	59	14
Hire purchase agreements receivable	1,369	1,330	-	-
Trade and other receivables	48,450	37,788	59	14
Accrued income	108,961	120,325	-	-
Prepayments	10,229	6,559	29	13
Prepayments and accrued income	119,190	126,884	29	13
Trade and other receivables	48,450	37,788	59	14
Accrued income	108,961	120,325	-	-
Receivables and accrued income (net)	157,411	158,113	59	14

Gross accrued income of £110,109,000 (2018: £122,408,000) includes March revenue invoiced in April of £63,360,000 (2018: £64,784,000), unbilled energy debtors of £46,719,000 (2018: £57,610,000) and accrued income relating to property of £30,000 (2018: £14,000). Offset against this figure is an allowance for bad debts of £1,148,000 (2018: £2,083,000), which is included in the allowance for credit losses of £19,679,000 (2018: £19,308,000).

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.

Allowance for credit losses on receivables and accrued income

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Allowances as at 1 April	19,308	16,271	-	3,332
Transfers to subsidiaries	-	-	-	(3,332)
Additions – charged to Statement of Comprehensive Income	8,136	8,846	-	-
Allowances used on fully written down receivables	(7,765)	(5,809)	-	-
Allowances as at 31 March	19,679	19,308	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. RECEIVABLES AND ACCRUED INCOME (CONTINUED)

Analysis of receivables and accrued income

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Receivables and accrued income (gross)	177,090	177,421	59	14
Allowance for credit losses	(19,679)	(19,308)	-	-
Receivables and accrued income (net)	157,411	158,113	59	14

At 31 March 2019 and 31 March 2018 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 the expected lifetime credit losses. Credit losses are measured using a provisioning metric, adjusted where required, to take into account current macro-economic factors. The Group applies judgement to assess the expected credit loss, taking into account external ratings, financial statements and other available information. 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	2019	2018
	£'000	£'000
Bank loans		
As at 1 April	40,000	-
Drawdown of bank loans	20,000	40,000
As at 31 March	60,000	40,000
Bank loan arrangement fees		
As at 1 April	(631)	(860)
Amortisation	229	229
As at 31 March	(402)	(631)
	59,598	39,369
Due within one year	-	-
Due after one year	60,000	40,000
	60,000	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').

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 £402,000 (2018: £631,000) on the face of the Balance sheet. These costs have been capitalised and are being amortised over the term of the Revolving Debt Facilities.

In addition, as at 31 March 2019 the Group had letters of credit in place relating to certain energy distribution charges with a total value covered of £16,130,500 (2018: £15,540,500).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Maturity analysis

Group and Company	2019 £'000	2018 £'000
Bank loans		
Due in one year or less	-	-
Due in more than one year but not more than two years	61,722	-
Due in more than two years but not more than five years	-	41,731
	61,722	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.

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Current				
Trade payables	24,979	19,942	57	25
Inter-company payables	-	-	76,197	63,626
Other taxation and social security	6,085	11,041	-	-
	31,064	30,983	76,254	63,651

All trade payables are due within one year.

14. ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Accrued expenses	109,863	133,937	-	9
Deferred income	1,523	771	-	-
	111,386	134,708	-	9

All accrued expenses are payable within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. CAPITAL AND RESERVES

Issued share capital – ordinary shares of 5p each

	2019		2018	
	Number ('000)	£'000	Number ('000)	£'000
Authorised ordinary shares of 5p each in the Company	160,000	8,000	160,000	8,000
Allotted, called up and fully paid ordinary share capital:				
At 1 April	78,461	3,923	80,488	4,024
Issue of new ordinary shares	376	19	119	6
Purchase of cancelled shares	-	-	(2,146)	(107)
At 31 March	78,837	3,942	78,461	3,923
Authorised 'B' shares of 2p each in subsidiary	650	13	650	13
Allotted and fully paid 'B' share capital:				
At 1 April	325	7	-	-
Issue of new 'B' shares	80	1	325	7
At 31 March	405	8	325	7
Total Group share capital at 31 March		3,950		3,930

At the year end the Company's share price was 1,520p and the range during the financial year was 1,010p to 1,520p.

At 31 March 2019, the Company had 78,837,060 (2018: 78,460,956) shares in issue. The total number of voting rights of 5p ordinary shares in the Company was 78,354,784 (2018: 78,400,956), excluding shares held in treasury. Since the year end, a further 28,762 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 78,383,546.

During the year ended 31 March 2019 the Company repurchased and transferred into treasury 422,276 shares through open market purchases at prices ranging between 1,065.08p and 1,160.84p. As at 31 March 2019 there were 482,276 ordinary shares held in treasury (2018: 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 78,354,784. 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 a further 79,500 new 2p 'B' shares for a total nominal value of £1,590 to participants in the Group's LTIP 2016 scheme (2018: 325,000 new 2p 'B' shares for a total nominal value of £6,500). As at 31 March 2019, the total 'B' share capital was £8,090 and therefore the total Group share capital is £3,950,000 (2018: £3,930,000).

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 2019 was £225.1 million (2018: £227.0 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.

Dividends

	2019 £'000	2018 £'000
Prior year final paid 26p (2018: 25p) per share	20,257	19,523
Interim paid 25p (2018: 24p) per share	19,482	18,750

The Directors have proposed a final dividend of 27p per ordinary share totalling approximately £21.1 million, payable on 2 August 2019, to shareholders on the register at the close of business on 12 July 2019. In accordance with the Group's accounting policies the dividend has not been included as a liability as at 31 March 2019. This dividend will be subject to income tax at each recipient's individual marginal income tax rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 15.

16. EARNINGS PER SHARE

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

	2019 £'000	2018 £'000
Earnings for the purpose of basic and diluted EPS	33,103	30,490
Share incentive scheme charges (net of tax)	1,649	1,657
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	45,980	43,375
	Number (^{'000} s)	Number (^{'000} s)
Weighted average number of ordinary shares for the purpose of basic EPS	77,975	78,659
Effect of dilutive potential ordinary shares (share incentive awards)	335	426
Weighted average number of ordinary shares for the purpose of diluted EPS	78,310	79,085
Adjusted basic EPS ¹	59.0p	55.1p
Basic EPS	42.5p	38.8p
Adjusted diluted EPS ¹	58.7p	54.8p
Diluted EPS	42.3p	38.6p

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

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

	2019 £'000	2018 £'000
Amounts payable:		
Less than one year	464	83
Between one and five years	2,241	-
Over five years	1,233	-
	3,938	83

The principal lease arrangements relate to office and warehouse premises.

Capital commitments

At 31 March 2019 the Company had no significant capital commitments (2018: £Nil).

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 £176 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 £176 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:

	2019		2018	
	Number	Weighted average exercise price	Number	Weighted average exercise price
At 1 April	2,181,066	963p	2,663,117	965p
Options granted	460,143	1,156p	451,047	1,148p
Options exercised	(464,166)	825p	(174,236)	634p
Options lapsed/expired	(192,849)	1,122p	(758,862)	1,155p
At 31 March	1,984,194	1,022p	2,181,066	963p

The weighted average share price at the date of exercise for the options exercised during the year was 1,332.7p (2018: 1,215.0p).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. SHARE-BASED PAYMENTS (CONTINUED)

During the current year ended 31 March 2019 and prior year ended 31 March 2018, 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>							
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
26/07/2018	1,042	1,057	32.17	10	0.77	4.92	173
13/12/2018	1,382	1,370	32.13	10	0.95	3.80	284
<i>2015 Employee SAYE Share Option Plan</i>							
14/08/2017	1,110	1,128	23.88	3.5	0.27	4.43	116
23/08/2018	1,056	1,042	31.96	3.5	0.95	4.99	162
<i>2007 Networkers and Consultants Share Option Plan</i>							
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 2018	Number 31 March 2019	Exercise price per share	Exercisable from	Expiry date
2007 Employee Share Option Plan					
12 Jun 2008	7,600	-	330.5p	12 Jun 2011	11 Jun 2018
10 Dec 2008	3,720	-	340p	10 Dec 2011	9 Dec 2018
26 Jun 2009	26,940	600	278p	26 Jun 2012	25 Jun 2019
9 Dec 2009	3,000	3,000	305p	9 Dec 2012	8 Dec 2019
5 Jul 2010	27,700	2,000	338p	5 Jul 2013	3 Jul 2020
17 Dec 2010	9,290	5,550	442p	17 Dec 2013	16 Dec 2020
14 Jun 2011	85,505	27,125	603p	14 Jun 2014	11 Jun 2021
15 Dec 2011	18,060	13,870	774p	15 Dec 2014	14 Dec 2021
26 Jun 2012	67,854	58,054	828p	26 Jun 2015	25 Jun 2022
10 Dec 2012	31,878	23,100	878p	10 Dec 2015	9 Dec 2022
17 Jun 2013	38,700	17,647	1,219p	17 Jun 2016	16 Jun 2023
16 Dec 2013	7,500	6,500	1,739p	16 Dec 2016	15 Dec 2023
1 Jul 2014	19,000	6,950	1,337p	1 Jul 2017	30 Jun 2024
16 Dec 2014	17,000	7,850	1,254p	16 Dec 2017	15 Dec 2024
13 Jul 2015	519,350	357,230	985p	13 Jul 2018	12 Jul 2025
10 Dec 2015	80,250	37,392	1,074p	10 Dec 2018	9 Dec 2025
22 Jul 2016	306,000	288,000	1,047p	22 Jul 2019	21 Jul 2026
8 Dec 2016	162,370	125,370	1,209p	8 Dec 2019	7 Dec 2026
20 Jul 2017	187,500	159,250	1,117p	20 Jul 2020	19 Jul 2027
	1,619,217	1,139,488			
2017 Employee Share Option Plan					
12 Dec 2017	197,500	164,500	1,181p	12 Dec 2020	11 Dec 2027
26 Jul 2018	-	225,050	1,057p	26 Jul 2021	25 Jul 2028
13 Dec 2018	-	142,500	1,370p	13 Dec 2021	12 Dec 2028
2015 Employee SAYE Share Option Plan					
25 Sep 2015	43,413	6,530	1,058p	1 Nov 2018	30 Apr 2019
15 Aug 2016	9,264	8,988	1,042p	1 Nov 2019	30 Apr 2020
14 Aug 2017	15,554	15,491	1,128p	1 Nov 2020	30 Apr 2021
23 Aug 2018	-	40,343	1,042p	1 Nov 2021	30 Apr 2022
	68,231	71,352			
Total employees	1,884,948	1,742,890			
Weighted average exercise price	975.8p	1,077.4p			

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 2018	Number 31 March 2019	Exercise price per share	Exercisable from	Expiry date
2007 Networkers and Consultants Share Option Plan					
10 Dec 2008	12,000	-	340p	10 Dec 2011	9 Dec 2018
26 Jun 2009	3,000	3,000	278p	26 Jun 2012	25 Jun 2019
9 Dec 2009	4,000	4,000	305p	9 Dec 2012	8 Dec 2019
5 Jul 2010	118,862	107,556	338p	5 Jul 2013	3 Jul 2020
17 Dec 2010	6,106	5,498	442p	17 Dec 2013	16 Dec 2020
14 Jun 2011	3,000	2,000	603p	14 Jun 2014	11 Jun 2021
15 Dec 2011	7,000	6,000	774p	15 Dec 2014	14 Dec 2021
1 Jun 2012	38,000	33,000	721p	1 Jun 2015	31 May 2022
26 Jun 2012	7,000	6,000	828p	26 Jun 2015	25 Jun 2022
20 Nov 2012	19,400	18,000	854.5p	20 Nov 2015	19 Nov 2022
10 Dec 2012	16,000	1,000	878p	10 Dec 2015	9 Dec 2022
17 Jun 2013	5,000	4,000	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	24,350	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	2,000	1,117p	20 Jul 2020	19 Jul 2027
Total distributors	296,118	241,304			
Weighted average exercise price	637.6p	637.5p			

At 31 March 2019, a total of 806,903 share options were exercisable (2018: 619,015) at a weighted average exercise price of 862.7p (2018: 669.6p). The average remaining contractual life of the outstanding options was 6.7 years (2018: 6.7 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 ("B 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 ("B1 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 41,500 have lapsed due to leavers.

On 30 July 2018 and 20 November 2018, further awards of growth shares were made to certain senior employees ("B2 shares"). In total 61,500 and 18,000 growth shares were issued respectively on these dates, of those issued on 30 July 2018 5,000 have lapsed due to leavers.

As set out in the Directors' Remuneration Report no further issues will be made under the LTIP 2016. The fair value of the growth shares issued for the purposes of IFRS 2 has been based on a Monte-Carlo model and the key assumptions are set out below.

B1 shares – April 2017	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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. SHARE-BASED PAYMENTS (CONTINUED)

B2 shares – July 2018	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Fair value (per share granted)	£10.14	£10.70	£10.79	£9.68
Number of awards granted	15,375	15,375	15,375	15,375

Key assumptions

Share price at grant	£10.36
Exercise price	Nil
Dividend yield	4.9%
Expected term	3 to 10 years
Risk free rate	0.86% to 1.48%
Share price volatility of the Company	30.9%
Discount for post vesting transfer restrictions for Tranches 1, 2 and 3 awards	5.9%
Discount for post vesting transfer restrictions for Tranche 4 awards	10.3%

B2 shares – November 2018	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Fair value (per share granted)	£18.23	£19.39	£19.17	£17.39
Number of awards granted	4,500	4,500	4,500	4,500

Key assumptions

Share price at grant	£13.24
Exercise price	Nil
Dividend yield	4.5%
Expected term	2.7 to 9.7 years
Risk free rate	0.78% to 1.35%
Share price volatility of the Company	29.9%
Discount for post vesting transfer restrictions for Tranches 1, 2 and 3 awards	5.7%
Discount for post vesting transfer restrictions for Tranche 4 awards	10.1%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 £199,005,000 (2018: £201,190,000) and for the Company of £3,307,000 (2018: £2,974,000).

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 £199,831,000 (2018: £199,635,000) and for the Company £76,264,000 (2018: £63,666,000).

Credit risk

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

The Company has a universal supply obligation in relation to the provision of energy to domestic customers. This means that although the Company is entitled to request a reasonable deposit from a potential new customer who is not considered creditworthy, the Company is obliged to supply domestic energy to anyone who submits a properly completed application form. Where such customers subsequently fail to pay for the energy they have used, 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 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 £199,005,000 (2018: £201,190,000) and for the Company £3,307,000 (2018: £2,974,000).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS (CONTINUED)

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 £4,088,000 (2018: £4,738,000) due mainly from distributors elements of which earn interest at varying rates above Base Rate.

Borrowing facilities

At 31 March 2019, the Group had total revolving credit facilities of £150,000,000 (2018: £150,000,000). These facilities are available to the Group until 14 December 2020. As at 31 March 2019 £60,000,000 of the facilities was drawn down (2018: £40,000,000 drawn down). As at 31 March 2019 the Group also had letters of credit in place relating to certain energy distribution charges with a total value covered of £16,130,500 (2018: £15,540,500).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. RELATED PARTIES

Identity of related parties

The Company has related party relationships with its subsidiaries (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:

	2019 £'000	2018 £'000
Short-term employee benefits	1,729	1,639
Social security costs	228	219
Post-employment benefits	20	40
	1,977	1,898
Share incentive scheme charges	86	294
	2,063	2,192

During the year, the Group acquired goods and services worth approximately £25,000 (2018: £22,000) from companies in which directors have a beneficial interest. No amounts were owed to these companies by the Group as at 31 March 2019. During the year, the Group sold goods and services worth £Nil (2018: £12,000) to companies in which directors have a beneficial interest.

During the year directors purchased goods and services on behalf of the Group worth approximately £755,000 (2018: £75,000). The directors were fully reimbursed for the purchases and no amounts were owing to the directors by the Group as at 31 March 2019. During the year the directors purchased goods and services from the Group worth approximately £29,000 (2018: £32,000) and persons closely connected with the directors earned commissions as Partners for the Group of approximately £10,000 (2018: £13,000).

Other related party transactions

Subsidiary companies

During the year ended 31 March 2019, the Company purchased goods and services from the subsidiaries in the amount of £171,000 (2018: £239,000 purchased by the Company from the subsidiaries). During the year ended 31 March 2019 the Company also received distributions from subsidiaries of £30,000,000 (2018: £Nil). At 31 March 2019 the Company owed the subsidiaries £76,197,000 which is recognised within trade payables (2018: £63,626,000 owed by the Company to the subsidiaries).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. FINANCIAL REPORTING STANDARDS APPLIED FOR THE FIRST TIME IN CURRENT YEAR

Background

IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers) were applied for the first time as of 1 April 2018. The effects resulting from their first-time application are detailed in this note. Full details of the nature of the expected impact of these new accounting standards was set out on pages 101 to 104 of the Company's Annual Report for the year ended 31 March 2018.

The Company has decided to apply these new accounting standards in modified form retrospectively for the first time as at 1 April 2018, without restating the prior-year figures, accounting for the aggregate amount of any transition effects by way of an adjustment to equity and presenting the comparative period in line with previous standards.

The effects that the first-time application of IFRS 9 and IFRS 15 had on retained earnings and other comprehensive income in the statement of comprehensive income in the current period are detailed in the tables below where significant.

Retained earnings reconciliation IFRS 9 and IFRS 15

	£'000	£'000
Retained earnings as at 31 March 2018		85,833
Effects of IFRS 9 (net of tax)		(424)
of which increase in allowances for unbilled trade receivables	(424)	
Effects of IFRS 15 (net of tax)		5,492
of which increase in prepayments	3,368	
of which increase in contract assets relating to provision of light bulbs and routers	2,591	
of which increase in deferred income relating to CashBack card scheme	(467)	
Retained earnings as at 1 April 2018		90,901

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. FINANCIAL REPORTING STANDARDS APPLIED FOR THE FIRST TIME IN CURRENT YEAR (CONTINUED)

Impact of IFRS 15 on the Balance Sheet as at 31 March 2019

	As at 31 March 2019 Before accounting changes	Changes of timing in recognition	As at 31 March 2019 After accounting changes
	£'000	£'000	£'000
Trade and other receivables	48,944	(494)	48,450
Prepayments and accrued income	118,971	219	119,190
Current tax payable	(5,139)	74	(5,065)
Accrued expenses and deferred income	(111,273)	(113)	(111,386)
Retained earnings	86,544	(314)	86,230

The impact of IFRS 9 on the Balance Sheet as at 31 March 2019 is not significant.

Impact of IFRS 15 on the Statement of Comprehensive Income for the year ended 31 March 2019

	31 March 2019 Before accounting changes	Changes of timing in recognition	31 March 2019 After accounting changes
	£'000	£'000	£'000
Revenue	805,045	(607)	804,438
Distribution expenses	(26,200)	219	(25,981)
Taxation	(10,248)	74	(10,174)

The impact of IFRS 9 on the Statement of Comprehensive Income for the year ended 31 March 2019 is not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. FINANCIAL REPORTING STANDARDS APPLIED FOR THE FIRST TIME IN CURRENT YEAR (CONTINUED)

Summary of accounting policy changes – IFRS 9

IFRS 9 established 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.

In relation to trade receivables and accrued income, the Group already made a day one provision for losses on initial recognition and has therefore previously applied the principles of IFRS 9. In relation to certain contract assets, under IFRS 9 the Group has recognised a small provision on day one to reflect the expected level of recoverability of such balances as they are invoiced/demanded.

The Group has adopted IFRS 9 using the modified retrospective approach. Consequently, comparatives for the year-end position as at 31 March 2018, have not been restated.

Summary of accounting policy changes – IFRS 15

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 – i.e. 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 has adopted IFRS 15 using the modified retrospective approach. Consequently, comparatives for the year-end position as at 31 March 2018, have not been restated.

Sale of goods

Daffodil light bulbs

In marketing the sale of bundled services, the Group offers most “Double Gold” and certain “Gold” customers the provision and installation of LED light bulbs throughout their homes (the ‘Daffodil’ scheme). Under IAS 18, no up-front revenue was separately recognised for the provision of light bulbs, and the associated costs were recognised as incurred.

Under IFRS 15 the provision of Daffodil light bulbs is distinct from the provision of the other bundled goods and services. This has resulted in an allocation of revenue to the light bulbs, which is being recognised as control of the light bulbs is passed to the customer – i.e. at the point of installation by a Utility Warehouse fitter. There is a corresponding reduction compared to the previous accounting treatment in revenues from services over the remaining contractual term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Sale of goods

Broadband routers

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 was separately recognised for the provision of routers, and the associated costs were recognised as incurred.

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 has resulted in an allocation of revenue to the broadband routers, which is being recognised as control of the routers is passed to the customer – i.e. on receipt of the router. There is a corresponding reduction compared to the previous accounting treatment in revenues from broadband services over the remaining contractual term. The terms and conditions under which broadband routers are supplied to customers changed from mid-September 2018 and routers shipped after this date are now accounted for as finance leases.

Commissions

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'). Previously, upfront commissions and trailing commissions were recognised as an expense as they are incurred.

Under IFRS 15, upfront commissions have been capitalised and are being amortised over the expected life of the customer.

CashBack card scheme

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.

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 is now therefore being recognised over the expected life of the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. ACQUISITIONS OF GLOW GREEN LIMITED AND COFIELD LIMITED

On 31 May 2018 the Group acquired 75% of the ordinary share capital of Glow Green Limited, a small 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.

The book value of the net assets and liabilities at acquisition of £(28,000) was considered to reflect the fair value of the identifiable assets and liabilities of the two companies. The two companies did not have any other identifiable assets and liabilities at acquisition and therefore the consideration of £1.5 million has been entirely allocated to goodwill on the Group balance sheet.

The acquisition had the following effect on the Group's assets and liabilities:

	Recognised values on acquisition £'000
Glow Green Limited and Cofield Limited net assets at acquisition date:	
Property, plant and equipment	384
Inventories	427
Trade and other receivables	483
Cash and cash equivalents	845
Borrowings	(470)
Trade and other payables	(1,663)
Deferred tax	(34)
Net identifiable assets and liabilities	(28)
Total consideration paid	1,508

The Group did not incur any significant acquisition-related costs.

From the date of acquisition to 31 March 2019, Glow Green Limited and Cofield Limited contributed £5.9m to Group revenue and a loss of £1.1m to the Group profit after tax. If the acquisitions had completed on 1 April 2018 there would have been no material changes to the Group's revenue or profit after tax.

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HOME PHONE



BROADBAND



MOBILE



GAS



ELECTRICITY