

# Report and Accounts



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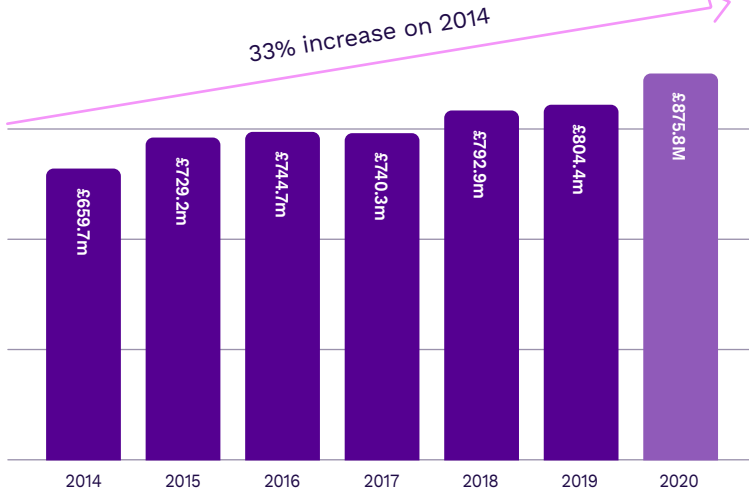
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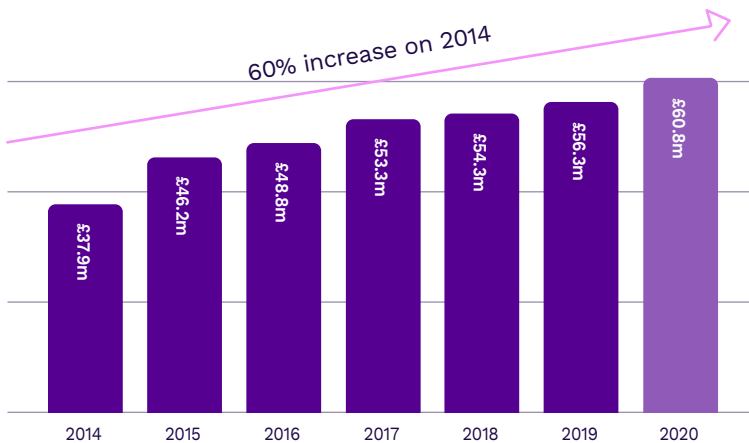
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## Revenue



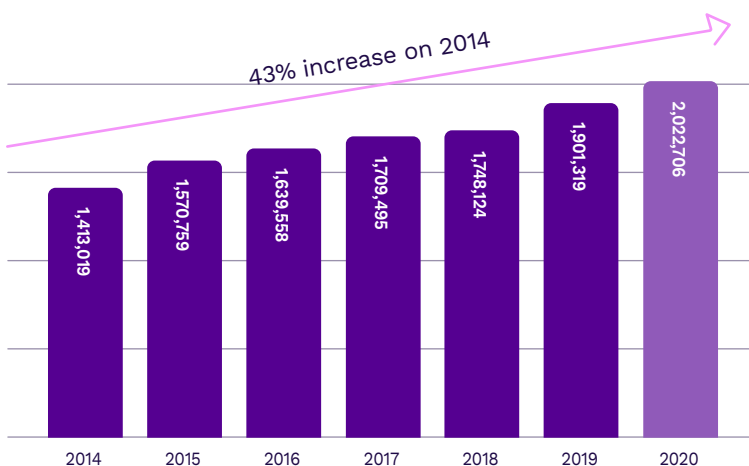
- Revenue up 8.9% to £875.8 million
- Adjusted pre-tax profit\* up 8.0% to £60.8 million
- Statutory pre-tax profit up 11.9% to £48.1 million
- Adjusted EPS\* up 4.7% to 61.8p
- Statutory EPS up 8.0% to 45.9p

## Adjusted pretax profit\*



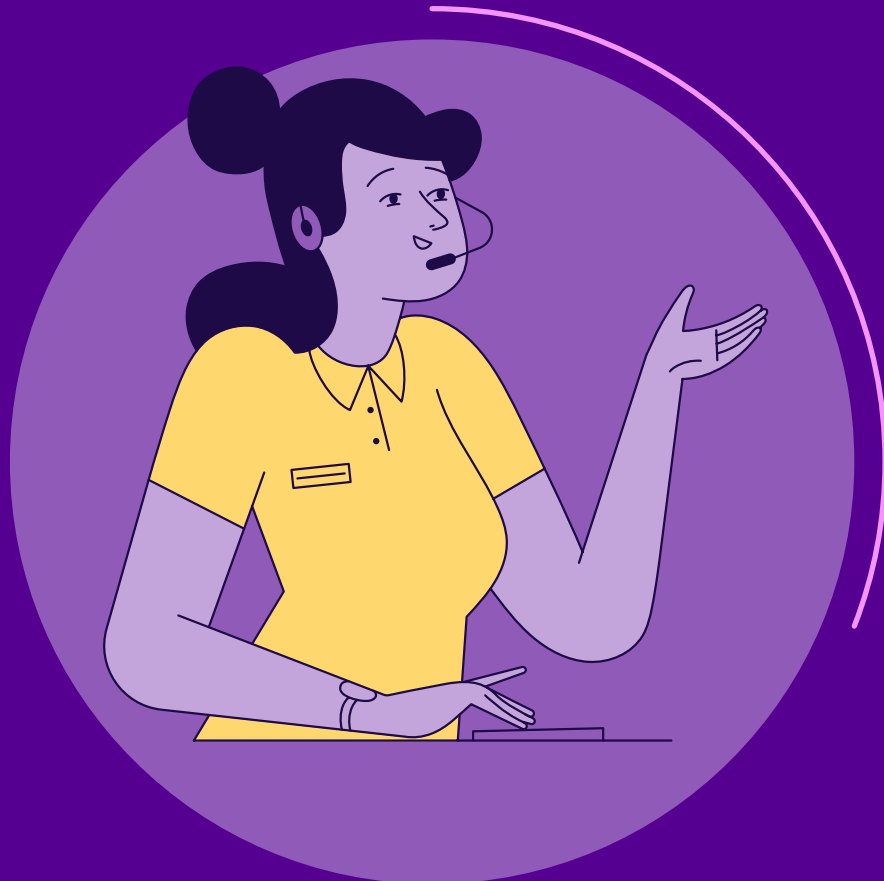
- Full year dividend up 9.6% to 57p
- Continued growth in both Members and Partners
- Services supplied up 6.4% to over 2.0 million
- Rising Membership quality, with over 30% now taking their energy, broadband and mobile services from us

## Services provided



\* Adjusted pre-tax profit (£60.8m) and Adjusted EPS exclude share incentive scheme charges (£1.3m) 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.

# Strategic Report



# Our Approach

## Everything you need in one

We bundle together all your home services - energy, broadband, mobile and insurance - into one, great value, monthly bill. And thanks to the efficiencies from our lower cost to serve - one set of overheads, multiple revenue streams - the more services our Members take, the more they save.



## Our Partner model

Unlike other suppliers, we don't acquire our Members directly. Instead, 45,000 self-employed distributors - our Partners - recommend our services to family, friends and people they know. This word-of-mouth model is at the very heart of our business, and has helped us to save time and money for our growing membership base, currently 650,000 strong.

## Our green initiatives

Our green fixed tariff means Members who take all of our services can power their homes with 100% certified renewable electricity. What's more, we also plant a tree for every new Member on this tariff, going some way to offset their carbon footprint. But it's our unique free LED light bulb offer that makes the greatest difference, typically reducing our Members' electricity consumption by 15% - forever.



## Which? Recommended Provider for over 10 years running

Now with 30 Which? awards over 13 years, including the accolade of being named their 2018 'Utilities Provider of the Year'. And in 2020, we're pleased to be their Recommended Provider for both Mobile and Broadband.

## Our Services

# All your home services in one

**Unlike our competitors, we're not an energy company, or a broadband company, or a mobile company. We're the UK's only multiservice provider.**

We save our Members time and money by providing all their home services in one - they can switch once, be sure of great value and service, and never have to think about their utilities again. We believe, at heart, that this is what the majority of people actually want.

### One bill

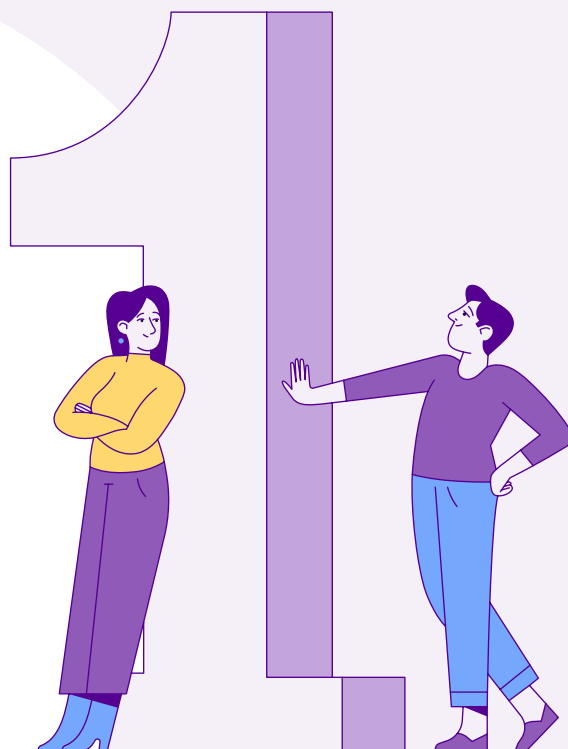
and a promise of value

### One number

whatever their query

### One account

to manage all their services





### Energy

Consistently fair prices which we guarantee will always be lower than the fair price set by Ofgem.



### Broadband

High-quality broadband and phone services, outstanding technical support, and Which?'s only Recommended Broadband Provider in 2020.



### Landline

Guaranteed savings compared with other major providers, and unlimited landline and mobile calls to other Members, all day, every day.



### Mobile

All the latest handsets, no in-contract price rises, and a 2020 Which? Recommended Mobile Provider.



### Insurance

Top-rated by Defaqto and Moneyfacts, always the best premium from our panel of insurers, and monthly payments at no extra charge.

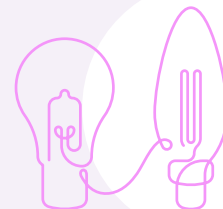
## More ways to save

£200

Up to £200 towards the costs of switching all your services to UW.



As much as 7% cashback at top retailers with our exclusive UW cashback card.



Go green with our free, energy-efficient LED light bulbs in your home.

# Chairman's Statement



I am pleased to report another satisfactory year for the Company in which we have seen revenues, profits and dividends all reach record levels, accompanied by further organic growth in both customer and service numbers.

Adjusted pre-tax profits increased by 8.0% to £60.8m (2019: £56.3m), and statutory pre-tax profits advanced by 11.9% to £48.1m (2019: £43.0m), on revenue up by 8.9% to £875.8m (2019: £804.4m); adjusted earnings per share for the year rose by 4.7% to 61.8p (2019: 59.0p), and statutory EPS increased by 8.0% to 45.9p (2019: 42.5p).

Customer numbers for the year advanced by 2.7% (2019: 4.0%) to 652,237 (2019: 635,039) and service numbers advanced by 6.4% (2019: 8.8%) to 2,022,716 (2019: 1,901,319) reflecting a further improvement in the quality of our customer base.

This creditable outcome clearly demonstrates the resilience and strength of our unique business model. It has been achieved in the face of an energy market that continues to be distorted by suppliers with wholly unsustainable pricing strategies, and the impact from Covid-19 which brought the consistently strong levels of customer gathering activity we had been seeing from our Partners throughout the period to a near standstill as the country went into lockdown.

We received a number of awards during the year recognising both the value we offer and the quality of service provided by our UK-based support teams, including being ranked by Which? as one of the top suppliers and/or as a recommended provider for all our core services; we also received four awards from Moneywise.

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.





## Dividend

We are proposing a final dividend of 30p (2019: 27p), bringing the total for the year to 57p (2019: 52p); this represents an increase of 9.6% compared with last year, and will be paid on 31 July 2020 to shareholders on the register at the close of business on 10 July 2020 subject to approval by shareholders at the Company's AGM which will be held on 23 July 2020.

We remain committed to a progressive dividend policy consistent with the underlying strong cash generation of our business.

## The environment

As an organisation supplying energy to consumers we are acutely aware of the environment in which we live, and more importantly our responsibility to help protect it. Whilst we have limited scope to influence how much electricity from each type of generation enters the National Grid each year, we are committed to playing our part in helping reduce the UK's overall carbon footprint.

We continue to make a significant annual investment in our free LED light bulb replacement service, which we provide to around 30,000 households each year. Since launching this service, we have installed over 5,000,000 energy efficient bulbs in 150,000 Members' homes. By making it both free and easy for our Members to reduce their electricity usage, we make a direct and significant positive impact on our carbon footprint as a major energy supplier.

We fully support the national smart meter programme, and recognise the role that smart meters can play in helping our Members better understand and reduce their energy consumption. Taking the decision to establish UW Home Services, and building its nationwide fleet of almost 300 engineers to enable the timely delivery of the programme, are important steps towards decarbonising the UK energy market.

Our boiler installation business only installs highly efficient A-rated boilers, predominantly from Vaillant and Worcester Bosch, two of the world's leading manufacturers; this can significantly reduce the amount being used compared with the less efficient boilers we are replacing.

In addition, we have recently launched a green electricity tariff and a carbon-offsetting tree-planting programme, further demonstrating our commitment to protecting the environment.

## 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.

## New board appointments

We are delighted to announce the appointment of Stuart Burnett and Suzi Williams to the board, effective immediately following our forthcoming AGM on 23 July.

### Stuart Burnett

As Chief Operating Officer, Stuart is responsible for the day to day running of our Energy, Telecoms and Financial Services operations where he has been instrumental in driving the business forward over the last few years. He has also played a key role in ensuring the seamless continuity of our operations during the Covid-19 lockdown.

He joined the company as Legal & Compliance Director in early 2016, before becoming Commercial Director in 2018 and then Chief Operating Officer last year. During the earlier part of his career he qualified as a solicitor with Slaughter and May in 2008, before working as a senior corporate lawyer at RSA Insurance Group plc and TSB Banking Group plc.

### Suzi Williams (non-executive)

Suzi brings to the board over 25 years' experience in telecoms, media and consumer businesses in the UK and internationally. As Chief Brand & Marketing officer at BT she was part of the team who transformed the

# Chairman's Statement

## continued

business, prior to which she held senior leadership roles at Capital Radio Group, Orange, the BBC, KPMG Consulting and Procter & Gamble Europe.

She has been a non-executive director at The AA since 2015, where she chaired the Remuneration Committee until November 2019, and currently sits on both their Risk and Nomination Committees. She is also an independent non-executive at Zegona Communications where she is Chair of the Remuneration and Nomination Committee, and at Workspace Group where she sits on all their board committees.

### Recent trading and outlook

#### Recent trading

Performance since our trading update issued on 21 April has been encouraging, with churn remaining significantly below the elevated levels seen during the previous quarter. We are also seeing a progressive improvement in Partner activity and confidence as they become increasingly proficient at signing people up remotely for both our customer and Partner propositions.

The general disruption caused by the lockdown led to a small reduction in our net customer base during April and May, although this has now started to reverse, with new Partner recruitment running over 40% ahead of the same period last year.

These trends support our current expectation for a modest recovery in customer numbers over the coming months whilst the country remains in partial lockdown, with a gentle acceleration thereafter.

#### Energy prices

The level of the Price Cap is expected to fall on 1 October 2020 by around £100, significantly narrowing the gap between our standard energy prices (which are set at a sustainable discount to the Ofgem 'fair price') and the cheapest deals at the bottom of the market.

With many independent suppliers continuing to set their retail prices at whatever level is required to attract new customers on price comparison sites, irrespective of the impact this is having on their profitability and cashflow, we have started to see record losses (in aggregate amounting to over £450m) being reported in their latest published accounts. Over 20 suppliers have left the market over the last two years, and in the absence of strong balance sheets to absorb their continuing losses, further insolvencies seem inevitable.

#### Outlook

We remain uniquely well positioned to continue to build shareholder value over both the near term and the years ahead, with a diverse portfolio of essential household services, a motivated Partner network, a unique integrated multi-utility business model, market leading levels of customer retention, and a strong balance sheet. These attributes have enabled us to build an exceptionally high quality customer base, and provide significant confidence over our future earnings stream.



**Third party independent and prestigious endorsements are testament to our customer-centric approach, our commitment to treating our Members fairly, [and] our ongoing mission to be the Nation's most trusted utility provider.**

The income opportunity we offer our Partners has historically proven highly resilient during recessionary periods, with increasing numbers of people looking to replace and/or supplement their traditional sources of income. This is expected to manifest itself in a further uplift in Partner recruitment and faster growth in new Members, as the economic reality of Covid-19 starts to bite.

Historically the Board has always provided forward guidance, and believe it is appropriate that we should continue to do so. However, we would emphasise that current uncertainties relating to the impact of Covid-19 make the range of possible outcomes for the current year much wider than usual.

On the assumption that social distancing restrictions continue to be progressively lifted (and are not subsequently retightened), and with a modest increase in bad debts, we expect the profit outturn for FY21 to be marginally below the level just reported for FY20, in line with previous guidance. On that basis, and in the absence of unforeseen circumstances, we expect to maintain the dividend at 57p per share for the current year.

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 our strong performance this year. In particular, I would like to pay tribute to our senior executives and their teams for successfully managing the transition to remote working so seamlessly in response to the recent unexpected pandemic, and to our fantastic workforce who have embraced their new, temporary ways of working with such positivity; this has enabled us to sustain the high standards of support for both our Partners and our Members to which we are committed.

By maintaining our relentless focus on supporting our Partners and helping them achieve their goals, we will increase the number of customers saving time and money on their essential household services with UW, reaching our next milestone of one million Members. Our medium-term growth objectives beyond this remain unchanged, and I look forward to the opportunities and value that achieving them will create for all stakeholders.

**Charles Wigoder**  
Executive Chairman  
15 June 2020



# Chief Executive's Review

## Markets

We supply a wide range of essential services under the UW (Utility Warehouse) brand - energy, broadband, mobile and insurance - to households and small businesses throughout the UK; these are all substantial markets and represent a significant opportunity for further organic growth.

The individual 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 from our competitors in two key respects:

### 1. Our multi-service customer proposition

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

### 2. Our route to market

Rather than seeking to attract new Members through expensive advertising or price comparison sites, we rely on the personal recommendations of over 45,000 Partners.

Our Partners can earn a small percentage of the monthly revenues generated by any Members gathered, either personally, or by someone in their team. The clear alignment of interests that this revenue-sharing model creates enables us to sign up a uniquely high-quality customer demographic.

We continue to pursue a differentiated strategy in the energy, communications and insurance markets, focussing on delivering an integrated multi-utility proposition that includes three key benefits:

- **Simplicity** - just one, simple bill for all your home services;
- **Savings** - compared with prices previously paid; and
- **Service** - delivered by our award-winning UK-based support teams.

These benefits are underpinned by our commitment to treating our Members fairly, avoiding the business practice adopted by many of our competitors of combining cheap introductory deals for new customers with higher tariffs charged to their legacy customer bases.

Ultimately our aim is to help our Members to simply get on with their lives. They can switch once, be confident in the good value and service we deliver, and never think about utilities again.

Most of our competitors in each of the individual markets in which we operate seem focussed almost solely on price. We believe this approach is not only viewed by their loyal customers as fundamentally unfair, but makes it less likely they will succeed in creating a sustainable long-term business - as customers who have chosen to switch based solely on the headline price on a comparison site will have a high propensity to do so again when their introductory deal expires.

Our alternative approach of earning the trust of our Members, by rewarding loyalty and commitment with additional savings and benefits, is the key point of differentiation that will enable us to achieve our medium-term growth objectives, helping us maximise long-term shareholder value. The trusted relationship this creates, and the consequent longevity of our Members, are illustrated by switching data within the domestic electricity market: reported churn amongst small and medium suppliers is currently running at an annualised rate of almost 33% - over twice the level we are experiencing.

These core values, as well as the consistently high standards of service we deliver to our Members from our single support centre in North London, are critical to our route to market, giving our Partners the confidence to promote our services to their friends and family.

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 energy, telecoms and personal insurance markets.

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. 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 income stream to our Partners, and a progressive dividend for shareholders. We are pleased with the good progress

we've made on our ongoing programme to enhance and update these systems, and 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 a competitive and clearly differentiated market proposition.

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 supply agreements. The average tenure of these relationships - typically over 15 years - is testament to their strength, and the value that our suppliers attribute to our unique multi-service proposition and unique Partner distribution network, both of which complement their own service offerings.

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 increase our share of the markets in which we operate, primarily through organic growth, in order to build a robust, sustainable and increasingly profitable business.

We will achieve this by increasing the number of active Partners that act as advocates of our business, and who, by doing so, are earning a growing and sustainable income through UW.

At the heart of this strategy is the clear objective of making it easier for our Partners to promote UW more effectively: we maintain a relentless focus on delivering best-in-class service and support to our Members, always treating them fairly, and investing in our systems and staff to achieve this. Equally importantly, we continually seek to simplify and, where possible, further improve the competitiveness of our services, encouraging our Partners and existing Members to talk about the unique benefits we offer to their friends and families.

To improve the way we deliver this, we have made a significant investment over the last 18 months in building a multi-disciplinary marketing function, resulting in the brand refresh we initiated in March this year; this aims to simplify our core messaging to Members and Partners alike, with a clear and consistent presentation across all the media and tools we use.

The coming decade is likely to provide a number of exciting opportunities to build upon our existing strong relationship with our Members, giving 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. These include:

- expanding our current range of services into related areas - recent successful examples include launching Home Insurance, establishing a nationwide boiler installation business and introducing our Boiler & Home Care policy;
- expanding the capability of UW Home Services to install smart meters for other retail suppliers;
- leveraging the national smart meter programme and shift to smart energy services such as 'demand side response' programmes through the installation of EV chargers, solar panels, air source heat pumps, and in-home battery storage solutions through our nationwide team of engineers; and
- relaunching our SME B2B proposition.

We will also be looking at opportunities for replicating our business model in other countries whose utility markets have been opened to competition; this clearly offers significant upside, with limited downside risk due to our infrastructure-light business model and effective route to market.

## 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:

- new Partner recruitment up almost 25% year on year
- strong organic growth with service numbers up by 121,397 (2019: 153,195)
- continued low churn against a background of record levels of energy switching
- the proportion of Members switching all their services to us climbing to a record level
- 47% of our Members now having a smart meter in their property
- Which? 'Recommended Broadband Provider' March 2020
- Which? 'Recommended Mobile Provider' April 2020

# Chief Executive's Review

## continued

Against the background of a declining economy as a result of the Covid-19 pandemic, and with household incomes under unprecedented pressure, our value-based consumer proposition and the part-time income opportunity we offer have never been so attractive to both Members and Partners respectively.

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

### Our Partners

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

Through UW, they can create real financial security for themselves and their families by using their spare time to sign up new Members and introduce our income opportunity to other like-minded people; in doing so, they can earn meaningful short-term financial rewards combined with a long-term residual income. And by communicating the benefits of our unique multi-utility retail proposition to high quality customers who in many cases have never previously switched supplier, they give us a significant competitive advantage - in stark contrast to the routes to market adopted by other suppliers of similar essential household services.

The alignment of financial interest provided by our revenue-sharing model and the structure of our compensation plan incentivise our Partners to focus 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 Quick Income Plan enables Partners to accelerate some of their commission payments on high quality customers that they introduce to UW. This initiative is a key driver behind the increasing numbers of new Partners joining each month, and the high quality of new Members they are gathering.

We are wholly committed to helping 'Team Purple' - our 45,000-strong community of Partners - to achieve their goals through UW, whatever they may be. To this end, we continue to invest in the digital tools we provide to them, further enriching the training and personal development programmes that we run for them, enhancing and simplifying the compensation plan, and running a wide selection of short and medium-term incentives to motivate them to greater levels of activity.

In response to Covid-19 social distancing restrictions, we brought forward elements of our product roadmap to enable Partners to sign up both new customers and new Partners remotely. We have since developed these tools further to enable experienced Partners to coach and support new Partners remotely on their first appointments, and remunerate them accordingly. These developments are exciting enhancements to our Partners' toolkits, and we believe that they will lead to higher levels of Partner productivity and success in due course.

We are encouraged by the recent acceleration in the number of new Partners joining, with over 1,300 joining during the course of last month; this was almost 50% higher than the same period last year.

### Our Members

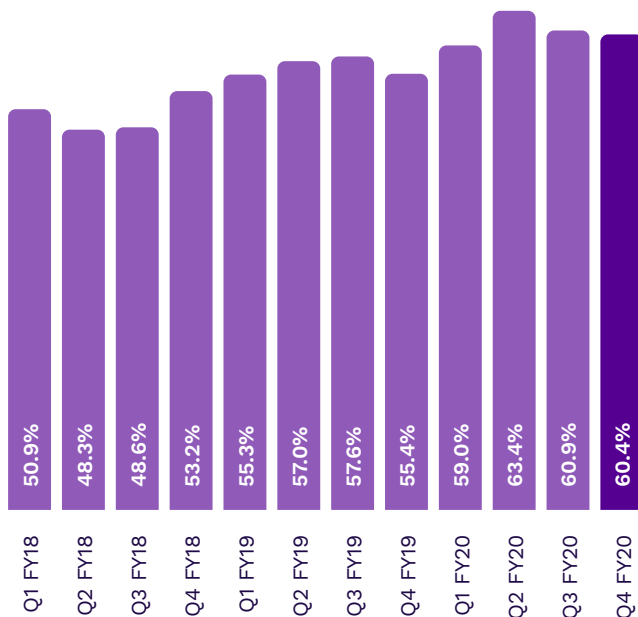
	2020	2019
Residential	627,058	608,371
Business	25,179	26,668
<b>Total</b>	<b>652,237</b>	<b>635,039</b>

Our focus remains firmly on leveraging our multi-service point of differentiation in the residential market. 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 own their own home, and on the number of services we are providing to them.

The most attractive category are homeowners taking all their services from us through our 'Double Gold' bundle (Energy, Broadband and Mobile).

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, as can be seen from the following figures:

### Percentage of new Members taking 'Double Gold' bundle



It is extremely encouraging that since our Partners transitioned to remote appointments in response to Covid-19, this proportion has remained above 60%.

Average revenue per Member increased to £1,304 (2019: £1,245) due to a combination of higher energy prices, seasonally normal winter temperatures (the previous year was anomalously mild), a steadily increasing proportion of fibre broadband services within our membership base, and rising mobile ARPU as data usage continues to grow; these were partially offset by a reduction in average landline call spend.

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

### Services

Our four core categories are Energy, Broadband, Mobile and Financial Services; in addition, we provide a cashback card to many new and existing customers, and still supply a small number of legacy telephony services.

At the year end, we supplied our members with a total of 2,022,716 services (2019: 1,901,319), an increase of 6.4% during the year.

	2020	2019
<b>Core services</b>		
Energy	1,071,665	1,049,830
Broadband	323,901	304,678
Mobile	280,220	252,206
Insurance	28,550	14,485
<b>Other services</b>		
Cashback card	288,043	245,620
Legacy telephony (NGN & Landline only)	30,337	34,500
<b>Total</b>	<b>2,022,716</b>	<b>1,901,319</b>

*Note: The lower total service numbers in the above table reflect our decision to simplify the way we present these, by no longer counting landline calls, line rental and broadband as separate services where Members are taking more than one of these linked elements; all Broadband customers are still taking all three of these elements, but this is now being recognised as a single service.*

All our core services grew during the year, with the strongest performances being a doubling in Insurance policies, a 17% increase in the number of cashback cards, and an 11% rise in Mobile services.

We are encouraged that our electricity supply point churn of just over 1% per month remains significantly below prevailing industry levels, notwithstanding a widening gap between the Ofgem 'fair' price cap and the introductory deals offered by a number of other energy suppliers. We attribute this to a combination of factors including our fair approach to pricing, high standards of customer service, and the steadily increasing proportion of our customer base who are taking all our core services.

### Supporting our Members

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; this ensures, 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.

# Chief Executive's Review

## continued

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 are particularly pleased to have been recognised by Which? as their 2020 Recommended Provider for both our Broadband services and our Mobile services.

This resounding endorsement of our services from the UK's leading independent consumer champion is primarily a testament to the consistent hard work of our support teams in North London, but also reflects our commitment to genuinely earning the trust of our Members, and provides huge confidence to our Partners when recommending UW to their friends and families.

### Ofgem energy price cap

The Ofgem energy price cap ("the Price Cap") was introduced in January 2019, and the subsequent immediate reduction in Standard Variable Tariffs (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"). Unfortunately, the Gap rapidly reverted back towards its previous level. More recently, as wholesale energy prices fell throughout last winter, the Gap expanded to record levels, although it is expected to narrow significantly in October 2020 at the next six-monthly review.

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 former 'Big 6' on the profitability of their UK domestic supply businesses over the period.

### UW Home Services

To enable us to meet the increasingly challenging smart meter roll-out targets stipulated by BEIS (The Department for Business, Energy and Industrial Strategy) over the next few years whilst delivering a satisfactory experience to our Members, we established a wholly-owned subsidiary ('UW Home Services') to install smart meters and to manage other necessary meter works in our Members' properties.

We are extremely pleased with the further progress made by UW Home Services, building on the solid foundations reported last year. We successfully expanded the engineering

and logistical capabilities to provide nationwide coverage, with almost 300 trained engineers achieving a run-rate of over 5,000 smart meter installations per week during the final quarter of the year. This programme was suspended in late March in response to the Covid-19 lockdown, and has recently begun a phased return to installations.

Despite the numerous challenges that continue to hinder the national smart meter programme, UW Home Services successfully managed the complex transition from first generation to second generation ("Smets-2") meters, and installed approximately 135,000 (2019: 5,000) largely dual fuel meters during the year. This strong performance takes the penetration of smart meters within our residential meter portfolio to just under 50%, comfortably ahead of the average for the industry as a whole.

We are strongly supportive of the smart meter roll-out programme, which improves billing accuracy, reduces unbilled energy losses (a cost which is ultimately borne by all consumers as part of their charges) and helps customers monitor in real time how much energy they are using. However, it is likely that Government support will be needed to remove the right of customers to opt-out from this programme, if this initiative is to achieve its full potential for improving customer service, grid management, and reducing costs for everyone.

### Boiler installation

Our boiler installation business (Glow Green) made good progress during the year, more than doubling the number of boilers it installed compared with the previous year. Its financial performance also improved significantly, with our share of its full year losses falling to £0.5m (2019: £0.8m loss) after a strong second half performance.

Glow Green's performance since the year end has been highly encouraging, and we look forward to higher volumes, higher revenues and a positive contribution to group profits for the current financial year.

### Insurance

We continue to make solid progress in building our Home Insurance book, growing the number of policies by c.45% to around 21,000 (2019: 14,500) over the course of the year, whilst also adding around 7,000 Boiler and Home Care policies from a standing start. We are pleased that our 'consistently low price' approach to setting premiums has led to average renewal rates which comfortably exceed 90% for our Home Insurance product - a level we understand is unprecedented for this type of policy.



A key priority for the current year is to continue strengthening our panel of insurers to make our proposition more competitive across a wider range of risk profiles, further improving our quote/conversion ratio.

Whilst still small, our Insurance business is profitable, and we remain confident it will make a material contribution to the financial performance of the group in due course.

### Cashback

Our cashback card continues to prove itself as a further point of differentiation, and an attractive 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.

It gives 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. During the course of last year we upgraded existing cardholders onto an enhanced version of the card, offering Members the additional benefit of earning 1% cashback on everyday household shopping at non-participating retailers.

## Technology

We are making good progress on our digital transformation project to update our systems and processes. Whilst this is creating significant additional costs in the short term, we are also starting to see some of the benefits – for example, the successful transition to home working in response to the recent Covid-19 lockdown. We anticipate that increasing benefits will materialise progressively over the coming years.

I remain confident this continuing investment is the right long-term decision for the business, and that our new technology platform will support us in providing best in class service levels to our Members across the increasing range of services we supply, and delivering the tools and support our Partners need to make the most of the part time income opportunity we offer.

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

**Andrew Lindsay MBE**  
Chief Executive Officer  
15 June 2020



# Financial Review

## Overview of results

	Adjusted			Statutory		
	2020	2019	Change	2020	2019	Change
Revenue	£875.8m	£804.4m	8.9%	£875.8m	£804.4m	8.9%
Profit before tax	£60.8m	£56.3m	8.0%	£48.1m	£43.0m	11.9%
Basic EPS	61.8p	59.0p	4.7%	45.9p	42.5p	8.0%
Dividend per share	57.0p	52.0p	9.6%	57.0p	52.0p	9.6%

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 £1.3m (2019: £1.8m) and the amortisation of the intangible asset of £11.2m (2019: £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. As set out in note 21 of the financial statements, FY20 has been prepared under IFRS 16 Leases, FY19 was prepared under IAS 17 Leases.

## Summary

Adjusted profit before tax increased by 8.0% to £60.8m (2019: £56.3m) on higher revenues of £875.8m (2019: £804.4m). The increase in revenues reflects the larger customer base, seasonally normal gas consumption (the corresponding period in the prior year was anomalously mild) and higher energy prices during the period. The improvement in adjusted pre-tax profit mainly reflects the organic growth in the number of services we are providing to our Members and the continued impact from the improved terms agreed with certain key suppliers, partially offset by continued investment in staff headcount, and higher technology costs.

Within our Customer Acquisition operating segment, net costs decreased to £17.1m (2019: £19.5m), mainly reflecting the improved commercial terms from our wholesale telephony suppliers (mainly relating to lower net broadband connection charges), partially offset by higher commission payments to Partners.

Distribution expenses increased to £27.7m (2019: £26.0m), mainly reflecting higher commissions paid to Partners and increased activity at our boiler installation business ('Glow Green').

Administrative expenses increased during the year by £10.8m to £78.7m (2019: £67.9m) mainly as a result of higher staff remuneration costs, greater costs associated with our digital transformation programme, and expanding our marketing function.

Adjusted earnings per share increased by 4.7% to 61.8p (2019: 59.0p), with statutory EPS increasing by 8.0% to 45.9p (2019: 42.5p). In accordance with previous guidance and our strong cash position, the Board is proposing to pay a final dividend of 30p per share (2019: 27p), making a total dividend of 57p per share (2019: 52p) for the year.

## Margins

Our overall gross margin for the year was 19.1% (2019: 18.6%) mainly reflecting the continued impact from the improved terms agreed with certain key suppliers for the full period.

## Customer management

We continued to grow the number of services we are supplying, with an increase of 121,000 services (2019: 153,000) during the course of the year, taking the total number of services provided to our Members to a little over 2 million (2019: 1.9 million).

The increase in revenues reflects the larger customer base, seasonally normal gas consumption (versus the anomalously mild prior year) and higher energy prices during the period:

Revenues £m	2020	2019
Electricity	384.2	351.2
Gas	284.8	268.1
Landline and Broadband	125.4	116.5
Mobile	37.4	32.5
Other	23.7	16.6
	<b>855.5</b>	<b>784.9</b>

## Customer acquisition

Our Customer Acquisition operating segment loss decreased to £17.1m (2019: £19.5m), mainly reflecting improved commercial terms from our wholesale telephony suppliers, partially offset by higher commission payments to Partners.

## 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 £27.7m (2019: £26.0m), reflecting higher commissions paid to Partners and increased activity at Glow Green.

Within administrative expenses, the bad debt charge for the year increased to £10.4m (2019: £8.1m) representing 1.2% of revenues (2019: 1.0%). This reflects a higher proportion of Members with at least two energy bills outstanding, which rose to 1.76% (2019: 1.50%). This was largely due to ongoing delays in fitting prepayment meters, caused by a combination of technical limitations with Smets-2 meters, and disruption to normal warrant processes prior to, and during the transition to using UW Home Services for carrying out these works on a nationwide basis. Since lockdown, we have been unable to fit any warrant-related prepayment meters in Members' homes, and it is currently unclear when this activity will recommence.

The number of prepayment meters we installed during the year, some of which were provided at the Members' own request, remained flat at 4,310 (2019: 4,209). At the end of the year we had an installed base of 72,726 (2019: 74,840) prepayment meters, representing approximately 6.8% of the energy services we supply; this remains significantly below the average level of prepayment meters within the industry of around 16% (source: Ofgem). The 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.

Overall, administrative expenses (excluding share incentive scheme charges and amortisation of the energy supply agreement intangible) increased during the year by £10.8m to £78.7m (2019: £67.9m) mainly as a result of higher staff costs, higher bad debts and increased technology costs. The increase in staff costs reflects our underlying growth in the number and range of services we supply, and the investment in strengthening our technology resources, regulatory functions and management structure, together with increased activity during the period at Glow Green and our meter operator UW Home Services.

## Cash, capital expenditure, working capital and borrowings

In January 2020 we agreed new £150 million borrowing facilities with Barclays Bank PLC, Lloyds Bank PLC and Bank of Ireland Group PLC for the period to 17 January 2023, with an option (subject to bank consent) to extend for up to a further two years.

We ended the period with a net debt position of £59.4m including lease liabilities of £9.0m (of which £3.4m relates to the new accounting standard on leases IFRS 16 which applied from the beginning of the period) (2019: £37.0m including lease liabilities of £1.6m). The underlying increase mainly reflects the success of our Quick Income Plan for Partners, capital expenditure on the digital transformation programme, the growth of our own meter operator (UW Home Services) and the changes to the corporation tax quarterly instalment regime. The Group's Net Debt/adjusted EBITDA ratio remains low at around 0.9x (adjusted EBITDA of £69.2m used in this ratio represents adjusted pre-tax profit of £60.8m (see table on page 16) plus depreciation and amortisation of fixed assets of £6.3m and net interest costs of £2.1m).

Our net working capital position showed a reduced year on year cash outflow of £13.3m (2019: cash outflow of £22.3m); this outflow primarily reflects the continuing success of the Quick Income Plan for Partners and the investment made in supplying higher quality broadband routers to customers. Capital expenditure of £10.3m (2019: £7.5m) 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.

# Financial Review

## continued

### Dividend

The final dividend of 30p per share (2019: 27p) will be paid on 31 July 2020 to shareholders on the register at the close of business on 10 July 2020 and is subject to approval by shareholders at the Company's Annual General Meeting which will be held on 23 July 2020. This makes a total dividend payable for the year of 57p (2019: 52p), an increase of 9.6% compared with the previous year.

Our intention going forward remains to achieve a dividend pay-out ratio of 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 maintain our dividend at 57p per share for FY21, subject to any impact from Covid-19.

### Share incentive scheme charges

Operating profit is stated after share incentive scheme charges of £1.3m (2019: £1.8m). These relate to an accounting charge under IFRS 2 Share Based Payments ('IFRS 2').

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

### Taxation

A full analysis of the taxation charge for the year is set out in note 4 to the financial statements. The tax charge for the year is £12.4m (2019: £10.2m).

The effective tax rate for the year was 25.7% (2019: 23.7%), this remains higher than the underlying rate of corporation tax due mainly to the ongoing amortisation charge on our energy supply contract intangible asset (which is not an allowable deduction for tax purposes), and a reduction in the deferred tax asset associated with unexercised employee share options.

**Nick Schoenfeld**  
Chief Financial Officer  
15 June 2020

# Principal Risks and Uncertainties

## Background

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

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

The directors have carried out a robust assessment of the Company's emerging and principal risks. A formal document is prepared by the executive directors and senior management team on a regular basis detailing the key risks faced by the Group and the operational controls in place to mitigate those risks; this document is then reviewed by the Audit Committee. A new principal risk associated with the recent outbreak of the Coronavirus has been identified and is detailed below. No other 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.

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.

# Principal Risks and Uncertainties

## continued

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

The Group has strategic control over the core 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 cloud-based infrastructure as a service, in critical cases maintained in a warm standby or active-active state to mitigate risk in the event of a failure of the production systems.

### Data security risk

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

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

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

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

### Legislative and regulatory risk

The Group is subject to varying laws and regulations. The energy and communications markets in the UK are subject to comprehensive operating requirements as defined by the relevant sector regulators and/or government departments. Amendments to the regulatory regime could have an impact on the Group's ability to achieve its financial goals and any 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.

Further regulatory changes relating to retail energy price caps, faster switching, the rollout programme of smart energy meters, and the development of existing environmental and social policies, could all have a potentially significant impact on the sector, and the net profit margins available to energy suppliers.

The Group is also a 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. Regulatory changes relating to the European Electronic Communications Code could have an impact on the telephony sector with increased regulatory burden and on the Group's product offering.

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.

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.

# Principal Risks and Uncertainties

## continued

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) 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 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 in part reliant on third party suppliers 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 suppliers 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 meter operators, e.g. the escape of gas in a Member's property causing injury or death. The Group has mitigated 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 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.

# Principal Risks and Uncertainties

## continued

### 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 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.

### Virus outbreak risk

In the absence of a vaccine or effective treatment, the Company faces a number of risks from any highly infectious virus or disease which causes serious incapacity amongst those infected, including: (i) staff may be unable to attend their normal place of work and fulfil their normal duties due to falling ill or being required to self-isolate (either due to exposure to carriers of the virus, or to reduce the likelihood of being so exposed); (ii) the Company may be required to shut Network HQ to prevent transmission of the virus in the workplace; (iii) the efficiency of our operations may be reduced; (iv)

we may be unable to recruit and train new members of staff; (v) customers may find it more difficult to contact the company (vi) we may be unable to resolve faults and challenges faced by customers which require a visit to their home or other engineering works to be carried out (vii) customers may stop paying their bills, or we may be required by the Government to offer payment holidays to customers in respect of their utilities (in a similar fashion to the mortgage payment provisions), putting pressure on the Company's working capital; (viii) we may be restricted from carrying out normal debt enforcement procedures including suspension of telephony services and installation of smart meters; (ix) the Company's Partners may find it more difficult to grow their businesses during a period when restrictions on movement are imposed by the Government; (x) we may be unable to visit customers' homes to install smart meters and/or our free lightbulb replacement service; (xi) the various providers of third party infrastructure used to supply our services may be unable to cope with the increased demands placed upon them; and (xii) churn could increase during periods when customers are isolated at home.

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

# People and Organisation

## Our people

We have just under 1,800 highly valued employees across the Group who provide an award-winning service to our Members and Partners, which is vital to the Company's success.

We pride ourselves on helping Members spend their time doing the things that are important to them rather than worrying about switching to a different utility supplier; and on supporting Partners to build their business and realise their personal goals.

### Recruitment

Recruitment is any candidate's first 'window' on the Company, so this is a critical focus for us. We ensure that we recruit, train and retain people who have the right skills, and care about making a positive contribution to the business. We continue to recruit new employees through our own in-house assessment process, which provides a high level of control over recruitment and quality, avoiding bias, and focusing on identifying the very best candidates for each available position.

### Onboarding

The majority of our employees work in customer service roles, and we have a high-quality induction programme which is tailored to their needs.

After joining the Company, all new customer service advisors attend a structured onboarding programme, designed to help them understand their role with us, and to equip them with the skills and knowledge they need to deliver the high standard of customer service which Members and Partners expect. After successful completion of this programme, these advisors progress to an academy

environment, with high levels of support and coaching relevant to their specific role. Once they are deemed ready, they join a team where they continue to receive appropriate support and training, including compliance.

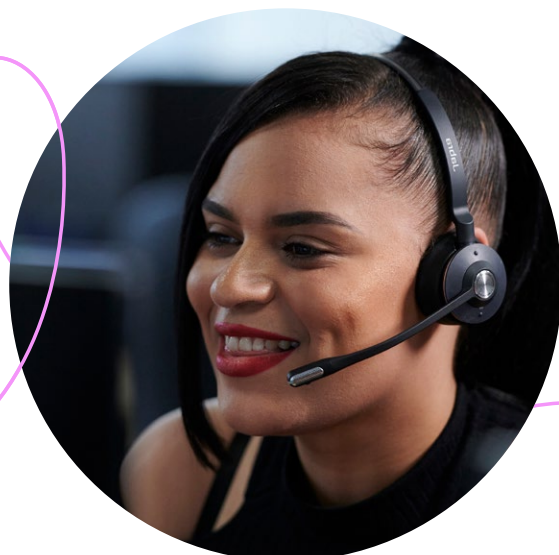
Our Technical Advisor Apprenticeships have proved very successful and continue to play a vital role in supporting our technical customer service recruitment.

New employees for our support functions - Finance, People & Culture, Marketing and Facilities - also join our universal induction programme, before continuing with structured onboarding for their respective functions; additional coaching (as required) is provided at every level of the organisation..

### Professional development

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 invited 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 a variety of training available, including leadership and management development and personal development programmes. We are currently building on the range of opportunities for our employees, including career pathways and useful toolkits, using a range of digital tools.



# People and Organisation continued

## Engagement

Engagement with our workforce includes formal and informal meetings. We have an employee forum (“The Purple Forum”) which was formalised during the year into a workforce advisory panel in accordance with the requirements of the Corporate Governance Code. The aim of The Purple Forum is to encourage transparent discussion, understand any challenges employees may face and identify areas for improvement. This forum is comprised of twelve nominated employees from across the business. Meetings are attended by the People and Culture Director who reports a summary of the discussions directly to the Chief Executive Officer. Minutes of the meetings are kept with any action points followed up at the following meeting.

This is supplemented by a number of less formal channels of communication with our employees. During the year, two breakfast meetings were held for all employees with the Chief Executive, where questions were submitted on all aspects 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 directly where there are significant changes that are likely to have a material impact on their role. We also maintain a company intranet (‘Babble’), where important company updates are shared, which 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, our knowledge base (‘Albert’) and wallboards.

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

Our head office building was designed with the interests of our employees at its heart, with state-of-the-art facilities. These include an auditorium/cinema, a games room equipped with pool and table tennis tables, relaxation pods and showers. We also have a heavily subsidised cashless staff restaurant which is used on a daily basis by the vast majority of our workforce, providing a wide range of freshly prepared hot and cold options for both breakfast and lunch, including a fresh salad bar and bespoke sandwiches.

We hold a range of fun free events each year including our Summer Party, our Christmas Party, and our Christmas Fair for the children of employees, organised by our active staff social committee. In addition, each team receives a ‘fun fund’ monthly allowance of £5 per person to be used towards team bonding activities that they can enjoy together.



**We [help] Members spend their time doing the things that are important to them rather than worrying about switching to a different utility supplier; and [support] Partners to build their business and realise their personal goals.**

## Health and wellbeing

We are committed to supporting our employees' physical and mental health. All staff have access to our Employee Assistance Helpline, offering them and their families access to information, advice and professional counselling on a variety of personal and workplace issues. We provide pilates, yoga and meditation courses as well as keep fit classes.

We have three nurses who visit at least once a month, a benefit that is highly valued by our workforce. Employees can book appointments with them anonymously for free mental and physical health checks. We also offer free flu jabs in Winter.

## Pay and reward

We review pay and benefits annually and employees benefit from an annual bonus depending on length of service.

The Company operates an HMRC-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.

As at 31 March 2020, there were outstanding options over 2,059,228 shares which had been granted to employees, representing approximately 2.6% of the issued share capital of the Company.

We encourage all employees to participate in a pension scheme operated by Scottish Widows (formerly operated by Aviva). Participants can choose their own contribution level, which is matched by the Company up to a limit which varies according to 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, physical health or mental health condition, seeking to provide practical support which enables them to continue working effectively.



# People and Organisation continued

## Diversity and inclusion

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.

We consider it important for us as a business to have a diverse and inclusive workforce. We have a Diversity Forum that focuses on creating an environment where we highlight, educate, inform, support and celebrate uniqueness – irrespective of our religious beliefs, cultural background, age, ethnicity, gender, disabilities or sexual orientation. We encourage talented people of different backgrounds, beliefs or any form of personal identity to be involved, respected and inspired to develop to their full potential.

In the last quarter of the financial year, the senior management team further considered how best to encourage diversity and inclusion. This included discussions around the development and progression of women and ethnic minorities into senior business roles; the availability of flexible working arrangements and feedback from an employee engagement exercise that was undertaken by an external consultancy firm. One of the outcomes was the adoption of an updated Diversity and Inclusion Policy designed to encourage good practice in this area. The updated Diversity and Inclusion policy was rolled

out in October 2019 and incorporates our objectives and commitments that will enable us to deliver further progress in this area over the current financial year. We will also use these to inform and develop key metrics to track our progress more effectively, overseen by the Diversity Forum.

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

	2020		2019	
	Male	Female	Male	Female
Board	6	1	6	1
Senior Managers	19	9	14	5
Employees	1,184	608	919	548

The Board's position in relation to the Corporate Governance Code requirement to set out any existing measurable objectives in relation to Board diversity is set out in the Corporate Governance Statement on page 49. The Board looks forward to welcoming new non-executive director, Suzi Williams, to the Board in July.

The Company publishes its Gender Pay Gap report each year in accordance with the requirements of The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017; a copy of the latest report available is at: [www.uw.co.uk/legal/gender-pay-gap-report](http://www.uw.co.uk/legal/gender-pay-gap-report).

# Corporate Responsibility

## Our community

Over the past two years, our staff, Members and Partners successfully raised over £350,000 for our charity partner, MIND. In addition, at a more local level, we have supported a nearby residential care home, Ashton Lodge, along with our local food bank, Colindale food bank.

## UW Foundation

In addition, we have recently established the UW Foundation, a charitable foundation administered by the Charities Trust, with the objectives of helping the environment and disadvantaged groups.

In its first year, the Foundation expects to plant up to 100,000 trees - one for every new customer who takes all of our services. These trees will absorb 20,000 tonnes of carbon dioxide.

This year, to positively impact the environment further, we will work with Plastic Oceans UK to help combat plastic pollution specifically. The money we raise will support efforts to break habits and enable more informed attitudes and behaviours towards plastic use and disposal across society.

We also want to support the NHS fight against coronavirus, so for the next few months, we have partnered with NHS Charities Together to fundraise for NHS frontline causes such as: (i) providing wellbeing packs for staff and volunteers; (ii) supporting isolated patients with devices so they can communicate with friends and family while in hospital or in isolation; and (iii) offer longer term mental health support for people affected by coronavirus.

In addition, our employees are supporting charities and charitable causes close to their homes and offices with a focus on the environment and disadvantaged groups.

The UW Foundation will match fund (without any upper limit) all of the money raised by Partners and employees, doubling the impact of their fundraising efforts.

## Environment

We are conscious of our important role and responsibilities in minimising the environmental impact of our activities.

To this end, 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 where they have not yet received a smart meter and free in-home display.

We also provide many 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 over 5,000,000 energy efficient bulbs in 150,000 Members' homes who have switched their energy and telephony services to us. We continue to provide this benefit to c.3,000 additional homes each month (although this programme is currently suspended due to restrictions on social distancing related to Covid-19), making a direct and significant positive impact on our carbon footprint as a major energy supplier.

Following our move 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 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%.

And we participate in a waste recycling programme, with a saving of approximately 56 trees and 11,270kg of CO<sub>2</sub> during the year (2019: 208 trees and 38,127kg of CO<sub>2</sub>) the lower saving reflecting our general move away from using paper; we also use only fsc-certified paper. Finally, we recycle both mobile phones and toner cartridges.

# Corporate Responsibility continued

## 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 2019 to 31 March 2020. It gives a summary of emissions from fuel combustion and the operation of our facilities (which include our offices and company cars, scope 1), and from our purchased electricity use during the year (scope 2).

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

### Global GHG emissions

	Total emissions (tonnes CO <sub>2</sub> e)	
	2019-2020	2018-2019
Emissions from combustion of fuel (scope 1)	1,972.8	1,024.6
Emissions from electricity, heat, steam and cooling purchased for own use (scope 2)	1,421.6	1,439.5
Total emissions	3,394.4	2,464.1
Intensity: Emissions per full time employee (FTE)	2.47 tCO <sub>2</sub> e/FTE	2.16 tCO <sub>2</sub> e/FTE

Scope 1 emissions have increased significantly due to the increased activity of UW Home Services (the Group's own energy meter operator), although their activities are expected to lead to a modest reduction in future carbon emissions within the households they have visited.

### Methodology

We have reported on all the emission 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 2019.

### Energy efficiency initiatives

The Group moved into newly refurbished HQ premises in 2015. A core principle of the refurbishment strategy was to create a comfortable, energy efficient working environment within the constraints of the budget.

The building layout was determined by facilitating the ability for complementary work teams to be compartmentalised enabling the use of focussed control strategies for these specific areas. This allowed for individual floors to be isolated when not in use. An excellent example of this is the zoning of the LED lighting control to mirror how these complementary working teams use the space with local sensor control to avoid wastage outside of core hours.



The Group has implemented a number of the recommendations outlined in both the ESOS Phase I & II audit reports, e.g. increasing the temperature set point in the large server rooms and smaller patch panel room with monitoring of temperature in the event of failure, upgrading the lighting in the warehouse to LED, ensuring air conditioning units are time controlled with appropriate temperature set points, temperatures, and dead band control strategy.

The Group continues to seek opportunities to improve efficiency and are currently investigating ways of synchronising meeting room heating/cooling with the meeting room booking system.

The Group also intends to roll out a series of out-of-hour site visits informed by the increased use and analysis of site half-hourly data (where available) to assist in identifying inefficiency in a timely and cost-effective manner.

The Group's fleet procurement process seeks to maximise fuel efficiency by encouraging the specification of hybrid or full electric vehicle uptake where practicable. Unfortunately, limitations in current technology meant that we were unable to find any such vehicles that met our operational requirements during the recent expansion of our UW Home Services fleet. Moving forward, we will continue to re-evaluate the market as and when new vehicles are required.

The Group's van fleet operates on-board telematics which monitor driver behaviour and flag erratic driving and speeding. This data enables the Group to tailor training to each driver's needs, thus improving the efficiency of their vehicles.

## Section 172(1) statement

### Background

The Companies Act 2006 (the "Companies Act") sets out a number of general duties which directors owe to the Company. New legislation has been introduced to help shareholders better understand how directors have discharged their duty to promote the success of the Company, while having regard to the matters set out in section 172(1)(a) to (f) of the Companies Act. In the current financial year, the directors continued to exercise all their duties, while having regard to these and other factors as they managed and governed the Company on behalf of its shareholders.

### Engaging with key stakeholders

The success of the Company is dependent on building positive relationships with all of our key stakeholders to deliver long-term sustainable success.

# Corporate Responsibility

## continued

The table below sets out details of engagement with key stakeholders.

Stakeholder	Details
Shareholders	<p>As owners of the Company we rely on the support of shareholders and their views are important to the Board.</p> <p>The executive directors have an open dialogue with our shareholders through one-to-one meetings, group presentations with analysts, and at the Annual General Meeting. Discussions with shareholders cover a wide range of topics including financial performance, strategy and outlook. The non-executive directors engage with institutional shareholders on matters of governance and remuneration.</p> <p>Shareholder feedback, along with details of significant movements in the shareholder base are regularly reported to and discussed by the Board and, where appropriate, their views are sought as part of certain decision-making processes.</p>
Partners	<p>The Company relies on the Partners within its independent distribution network for gathering new customers.</p> <p>Communication with our Partners is a key focus for the business and is conducted through various meetings, forums and large-scale conferences.</p> <p>Where appropriate, Partner feedback is sought when significant changes are being considered to the operation of the distribution network.</p>
People	<p>Employees are key to the Company delivering award-winning services to customers.</p> <p>There are many ways we engage with and listen to our employees including weekly email updates, employee surveys, forums, face-to-face briefings (including breakfast with the CEO), and an internal company magazine.</p> <p>Key areas of focus include company development and strategy, health and well-being, development opportunities, pay and benefits. Regular reports about what is important to our employees are made to the CEO ensuring consideration is given to employee needs.</p>
Customers	<p>We build long-lasting relationships with our customers as evidenced by our low levels of churn.</p> <p>We devote considerable resources to understanding customer requirements and soliciting feedback from them on ways to improve our offer and services. We use this knowledge to inform our strategy of helping customers to “get on with their lives” by offering savings, simplicity and service across all the household services we are providing to them.</p>
Suppliers	<p>As a reseller we are required to work closely with our key suppliers to ensure that we are delivering the best possible combination of value and service to our customers; our success in achieving this is demonstrated by the numerous endorsements and consistent recommendations we receive from Which?</p> <p>The interests of our suppliers are strongly aligned to our own as the number of customers we are able to attract has a direct impact on their own financial performance and market share. This generates close and supportive relationships with our key suppliers which are fostered through regular interaction at a senior management level.</p>
Community	<p>We are committed to building positive relationships within the communities where we operate.</p> <p>We are a significant employer in the local community around our head office and support a number of charitable activities. We have recently set up the UW Foundation to further these endeavours.</p> <p>Our Partner business opportunity allows a range of people from communities across the UK to advance their lives, driving our strategy to help Partners to “get on in life”.</p>
Regulators	<p>We operate in highly regulated markets and understand the importance of maintaining a constructive working relationship with Ofgem, Ofcom and the FCA, who between them are responsible for the regulation of the diverse range of services we offer.</p> <p>We engage with officials from these regulators as necessary to make them aware of the Company’s views when they are consulting on proposed regulatory changes, or if there are competition issues that need to be raised with them.</p>

## Further s172 factors

Further information as to how the Board has had regard to the s172 factors:

Section 172 factor	Key examples	Page
The likely consequences of any decisions in the long-term	Sustainability Report	35
The interests of the Company's employees	People & Organisation Report	25
Fostering business relationships with suppliers, customers and others	Chief Executive's Review	10
The impact of the Company's operations on the community and the environment	Corporate Responsibility	29
	Sustainability Report	35
Maintaining a reputation for high standards of business conduct	Sustainability Report	35
	Corporate Governance Statement	47
The need to act fairly between members of the Company	Corporate Governance Statement	47
	Directors' Report	74

## Anti-bribery and corruption policy

We have a zero-tolerance policy on bribery and corruption which extends to all employees within the Group. The policy prohibits the giving or receiving of bribes in any form. Each business within the Group records and reports on any gifts, hospitality or charitable donations which exceed the Group policy limits. 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.

## 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.uw.co.uk/legal/modernSlaveryStatement](http://www.uw.co.uk/legal/modernSlaveryStatement)

## Strategic report approval

The Strategic Report set out on pages 1 to 33, which incorporates the Financial and Operating Highlights, the Chairman's Statement, the Chief Executive's Review, the Financial Review, Principal Risks and Uncertainties, People and Organisation and Corporate Responsibility, has been duly approved by the Board.

By order of the Board  
**David Baxter**  
Company Secretary  
15 June 2020

# Sustainability Report



# Sustainability Report

## CEO Introduction

We believe Telecom Plus has an important role to fulfil in society. We must be accountable for the impact we have on the world around us and operate with the highest levels of integrity. 2019 saw us all becoming more aware of the impact individuals and corporations have on our environment. Today we must act to secure the future of

our children and future generations. The current outbreak of Covid-19 has further highlighted why society and the communities we operate in are important. We need to work together to achieve better outcomes for them.

Our overall purpose as a business is to enable our Members and Partners to lead more fulfilling lives:

GG

**Helping our Members get on with their lives, and to spend the time and money they save through UW on things that actually matter to them, rather than worrying about bills.**

**Helping our Partners to achieve their personal goals, whatever they may be, through their involvement with UW.**

The business has grown to where it is today because our Partners are happy to spread the word about UW to their friends, family, and neighbours. Every one of our Members was signed up using the tried and tested art of a face-to-face conversation, in their home, over a cup of tea.

Which is why we strongly believe that every conversation matters: Partners with potential Partners. Partners with potential Members. Members with potential Members. Our Support teams with the Members they help, day in, day out. But also, our managers and the teams they lead. Conversations based on open and honest debate, with both parties genuinely listening and responding.

And whilst our business has evolved over time, it has consistently been rooted to the twin foundations of listening to, and responding to, our key stakeholders:

### Our Partners

As an organisation that is focussed on success, we are proud of our efforts to give our Partners the tools and support to run their own business and reach their personal goals. This leads to greater financial independence, and not

just in the short term. The flexibility and long-term nature of the rewards and personal development programmes we offer has enabled many of them to achieve things far beyond what they ever thought possible.

### Our Members

Our Members can switch once, be sure of great value, and never have to think about utilities again. We believe, at heart, that this is what the majority of people actually want, and to this end we strive to be fair and honest with them, especially those who are vulnerable and find themselves in a position where they are struggling to pay. It is important we distinguish between those who cannot pay, where our help is required, from those who won't pay and who we need to pursue for payment.

### Our people

Our people are a vital part of the organisation and the key enablers of our strategy. We seek to create an open, diverse, and responsible culture which fosters both a hard work ethic, as well as the creativity and innovation that we need to secure our long term success. We work hard to provide comprehensive onboarding, regular skills training and feedback, and career development advice.

# Sustainability Report continued

## Our environment

Finally, we must set ourselves realistic but ambitious targets to minimise our impact on the environment, by analysing our successes and failures, learning from them, and adapting our behaviour accordingly. As an energy supplier we recognise the importance of reducing our collective dependence on fossil fuels, but also that this is an area which will require wider behavioural changes than we can deliver on our own. Renewables such as wind and solar are insufficient to meet total consumer demand, particularly at peak times, but by encouraging our customers to use green/renewable energy, we are seeking to accelerate the transition to carbon neutrality, and we look forward to working with our suppliers to deliver better solutions in future.

When our business was founded it was unashamedly focussed on being a low-cost supplier. By listening to both our Members and our Partners it became clear that 'low cost' should not be 'lowest cost' if it was at the expense of service and quality. Rather, in order to build a genuinely sustainable business, our focus needed to be on delivering 'best value'. We have adapted our approach accordingly, and we will continue listening to our stakeholders so that we meet their wants and needs as they evolve over time.

This is our first Sustainability Report. It aims to highlight the most material impacts our business has on our stakeholders, and how we are proactively addressing them to create the long-term success we all desire.

**Andrew Lindsay MBE**  
Chief Executive Officer



## Stakeholder engagement

To ensure that we continually focus on the most material Environmental, Social and Governance ('ESG') issues for our business, we regularly engage with our key stakeholders. They tell us about the major impact we have on them, and we focus our attention on where we can make this coincide with our strategy. This helps us run a genuinely sustainable business model, one that makes strategic, not tactical decisions and as such has real longevity.

We run a straightforward business, providing simple solutions for our Members and Partners. As such, we have a relatively short list of major stakeholders.

As part of the daily business of running a public company we regularly engage with our investors, informing them of progress but receiving questions and feedback as well. Our employees take part in Employee Experience interviews to help us assess and act upon their views and ideas. Engaging with, and helping to develop the businesses of our Partners is critical to our success, so we are in continuous dialogue with Team Purple. They are characteristically entrepreneurial and driven, and as a result more than happy to tell us what they think about how our partnership can become more successful. Finally, we are rightfully gaining a reputation for high quality customer service, as evidenced by the recent Which? awards. That is only possible by listening carefully to our Members and constantly adapting our offering and service to what they actually want. In their entirety these stakeholders also give us feedback on all elements of our impact on the environment; on how we run our business and, on the source, and impact of the products we sell.

Some highlights of recent feedback/issues raised by these stakeholders is summarised below:

### Our Employees want

- to grow with the business and seek clear personal development plans.
- regular 1:1 feedback from managers and mentors.
- further engagement along the lines of the Employee Experience interviews.
- UW to be a leader in providing green energy solutions.

### Our Partners want

- a clear path to enable greater numbers of Partners to progress from earning a little extra on the side to developing a long term business.
- the UW customer proposition to continue to evolve to deliver value for money, whilst retaining the simplicity that is key to their recommendations.
- better insights into their personal progress and team performance relative to others.
- continued endorsements of our focus on earning the trust of our Members - as they are their own friends and families to whom they have recommended UW.
- to be part of something that is a genuine force for good.

### Our Members want

- to be treated fairly.
- continued high levels of service and personal care.
- to spend their time doing things they want, not constantly switching utility suppliers.
- more focus on helping them reduce their environmental impact - especially through green energy tariffs.

# Sustainability Report

## continued

In terms of Governance, Investors want to better understand:

- how the running of the business is split between Chairman and CEO.
- the thinking behind the Executive reward scheme; large, sporadic share awards rather than more regular bonuses.
- the metrics driving the awards; is TSR appropriate as the key metric?

As a result of this feedback, we perceive our most material ESG impacts to be:

- the training and development of our people.
- the social impact of our Partners scheme.
- the trust value of our offering to our Members.
- our environmental impact as a company and an energy supplier.
- the governance and remuneration of our Executive team.

For each of these impacts we now seek to state our approach:

### Our people

We depend on the input of 1,800 employees across the Group to maintain the excellent relationships we have with our Members and Partners, as well as delivering a consistently high standard of service.

We put a lot of effort into recruiting new employees, ensuring that we recruit, train, and retain people who genuinely care about making a positive contribution to our business. To get absolutely the best candidate for every role, we do not believe in contracting out any part of this process. Instead we have our own Assessment Process that helps ensure the right skill levels and best cultural fit.

We pride ourselves on the quality of service we provide our customers. As such it is vital that every new member of the customer services team is equipped with the skills and knowledge required to meet our high standards as soon as possible. We have developed a structured onboarding programme, culminating in a 'graduation' to celebrate successful completion.

Wherever possible we try to promote from within, offering a variety of opportunities for employees to develop their skills, and progress within the Company. The aim is to develop their confidence, give them cross-departmental insight, and quality time with members of the senior management team. We also have various formal training programmes, including human development training (focusing on softer skills), and a management training scheme.





Feedback is vital to ensure that once embedded in our team, individuals remain engaged and help to drive the changes required to keep us relevant; this comes from regular anonymous departmental surveys, coupled with more detailed Employee Experience interviews. The success of these initiatives is dependent upon our employees seeing positive change in the organisation because of their input. The Executive team makes themselves available regularly, to update on progress and answer questions.

The quality of our working environment is a high priority, as is the physical and mental health of our employees. Individuals who feel they can relax and truly enjoy their work are more engaged and productive. Our head office is relatively new and as such has many of the modern facilities that make working life more stimulating. That said, recent events have led to us instigating a detailed investigation into the longer term benefits of working from home in terms of attracting and retaining key talent across the business.

We back this up with regular free medical check-ups, and all staff can use our Employee Assistance Helpline, offering them access to information, advice, and professional counselling on a variety of personal and workplace issues.

We rely heavily on the creativity of our employees to help solve problems and produce the new ideas that will shape our business in the future. A collaborative culture and a commitment to increased diversity are key enablers of this approach. A healthy gender mix is thus one of our top priorities. While we are working to improve our gender pay gap, and the proportion of female employees is increasing, we still need to do more. Recently, full maternity pay has been extended to 12 weeks, and maternity coaching introduced to provide support during parental leave and make re-entry to the organisation stress free.

Finally, we actively facilitate 'Access to Work' grants for employees who have a disability, or physical or mental health conditions, providing the practical support to enable them to continue working effectively for us.

While we consider our financial benefits to be some of the best in the sector, we want to ensure that our employees want to stay with us because they buy into the purpose and culture of our organisation. That means we must always act with integrity, delivering authentically on the recruitment, development and support plans highlighted here.



# Sustainability Report

## continued

### Our Partners – Team Purple

At its simplest, we offer our Partners a way to earn good money with flexibility and freedom. They 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. Many of these Partners play crucial roles in society, and the added income stream we provide can give them the freedom to do so with confidence and commitment.

As much as Partners are in it for themselves, they also want a better deal for their mum, their dad, their sister, their brother; all the people they are introducing. That matters enormously to Partners as they are on the front line. They need to trust us to live up to their personal recommendation. The delivery of our core customer values of service and fairness are thus critical in helping them promote our business model.

This is a unique and very valuable route to market, and we now have over 45,000 part-time, self-employed Partners. We are totally committed to helping Team Purple to build successful independent businesses through UW; recent actions taken in pursuance of this goal include:

- Improving the digital tools we provide, especially since Covid-19 lockdown.
- Enriching our training and personal development programmes.
- Enhancing the compensation plan and introducing a wider selection of short and medium-term incentives.

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

Our Quick Income Plan gives Partners the opportunity to accelerate some of their commission payments on certain high quality new Members they gather. This meets their demand for an immediate income from us, whilst retaining the unique UW benefit of a long term residual income.

Our objective of progressively increasing our share of the markets in which we operate in a sustainable manner is wholly underpinned by the growth of Team Purple. To attract and retain more active Partners, we must maintain high levels of confidence in our brand and financial strength, and continue to make it easier for them to promote our services more effectively.

### Our Members

The markets for most of the services we offer are primarily focussed on price, but 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 stakeholder value.

We continue to follow a differentiated strategy in the energy, communications and insurance markets, focussing on delivering an integrated multi-service proposition that includes three key benefits: Savings (compared with prices previously paid), Simplicity (just one convenient monthly bill), and Service (online or from our UK-based support teams).

Ultimately our aim is to help Members just get on with their lives. They can switch once, get great value and service from us, and never think about utilities again.

This approach is supported by our commitment to treating Members fairly, ensuring for example that any improvements to our tariffs are made available automatically to our legacy customer base, rather than only offering them to new Members. We also reward loyalty and commitment, with additional savings and benefits available to our most valuable and long-standing Members.

This business model and the trust it builds is illustrated by switching data within the electricity market for domestic customers. Churn amongst small and medium suppliers is currently running at an annualised rate of over 30% - well over twice the level we are experiencing.

We recognise that we cannot take this loyalty for granted and continue to instigate initiatives aimed at improving the experience of our Members, by 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 help us create value through lower churn and longer average customer lifetimes.

## Our environment

As an organisation selling energy to consumers we are acutely aware of the environment in which we live, and more importantly our responsibility to help protect it: as a business, we endeavour not only to minimise our own carbon footprint, but to also play a role where we can in helping our Members to do the same.

We have a range of initiatives aimed at helping our Members to reduce their carbon footprint: starting with our commitment to replace their light bulbs with LED equivalent bulbs, installing them for free, and guaranteeing them for life if they retain all their services with UW. On average this reduces the electricity consumption of a typical household by 15% versus traditional bulbs - into perpetuity. We are proud to have installed over 5,000,000 energy efficient LED bulbs in more than 150,000 of our Members' homes.

We are fully committed to the installation of smart meters wherever possible. If used sensibly, these can help our Members better understand and reduce their energy consumption, enabling them to reduce their costs as well. They have the added benefit of removing the need for manually submitted meter readings, thus leading to more accurate billing and fewer queries.

Through the UW Foundation we will be funding the planting of up to 100,000 trees each year - one for every new Member who takes all of our services. These trees will absorb 20,000 tonnes of carbon dioxide, going some way to offset the carbon generated by the energy consumption of those Members. We also 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, and we promote Feed-In Tariffs.

In response to demand from our Members and Partners alike, we have introduced green electricity tariffs which are proving extremely popular. It is important to recognise that a green tariff does not guarantee a renewable energy supply: regrettably, that is not possible given the way electricity is generated and distributed in the UK. What it does mean is that we pay a premium to buy Renewable Energy Guarantee of Origin (REGO) certificates. A REGO certificate is issued to a generator for every megawatt hour (MWh) of renewable power they put into the grid. So, our green tariffs make a positive impact on the environment, by subsidising the increased production of renewable energy in the UK.

# Sustainability Report

## continued

Natural gas and nuclear make up the bulk of all electricity consumed, with renewables growing in importance and contributing around 25% of the total. We account for close to 2% of the domestic electricity market and intend to use that leverage to encourage relevant parties to increase the proportion of renewable and low carbon electricity produced.

### Governance

As a service-led organisation, providing essential utilities to multiple customer groups, good and robust governance is key.

There are two aspects to our governance; that expected of us as a public company, and by our external regulators such as Ofgem and Ofcom.

As a public company, governance starts at the Office of the Chairman, and is reflected in behaviour right across the business. The message is self-enforcing across our workforce; if you would not do it at home it is not acceptable here. All employees are required to focus on what is right for the long-term well-being of our company, in order to build a business with genuine longevity. This ethos is reflected in everything from executive remuneration through to everyday business decisions.

Our Board is chaired by our founder and largest shareholder, who sits as Executive Chairman supported by four Non-Executive Directors. Of our non-executives, Beatrice Hollond plays an important role with our Partners and staff by overseeing the UW Foundation, ensuring that it delivers on its core objectives of protecting the environment and supporting disadvantaged communities close to our offices.

There is a clear division of responsibilities at the head of the Company. The Executive Chairman is 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. The Chief Executive is primarily responsible for implementing strategy and running the Group's operations on a day-to-day basis.

Turning to external governance, the Group is committed to numerous voluntary codes of conduct across the various markets we operate in. In the energy markets, there are standards of conduct which cover a wide range of issues including prepayment meters, smart meters, payment of bills, services to vulnerable customers, energy efficiency, compliance handling and accessing our Members' properties. And in the communications markets, these codes include the disclosure of expected broadband speeds, promoting mobile services, and the handling of complaints. During the year we became one of only seven Internet Service Providers to sign up to the voluntary code of practice for automatic compensation.



**Our key stakeholders... tell us about the major impact we have on them. This helps us run a genuinely sustainable business model, one that makes strategic, not tactical decisions and as such has real longevity.**

Ultimately, all policies and procedures that relate to governance are intended to create a business and culture that secures the longevity of the business.

## Remuneration

We believe that our Executive remuneration packages should be simple, competitive, align the interests of management with those of external stakeholders, and both incentivise and reward superior long-term performance in a highly transparent manner.

Our remuneration policy also ensures that the Company can attract, motivate, and retain executives of the requisite quality.

This is best achieved by using genuinely long-term, share-based incentives granted at market value. They provide a far more transparent method of directly aligning the interests of management with shareholders, particularly compared with paying annual cash bonuses linked to short/medium-term performance.

We thus believe it is appropriate to offer median industry base salaries to recognise the responsibility to deliver operational strategy on a day-to-day basis, no structural bonus schemes, and to grant meaningful share awards in blocks, with phased vesting over 3-9 years, ensuring a longer term perspective.



# Governance Reports



# Board of Directors

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

Charles, aged 60, 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 & Senior Non-Executive Director**

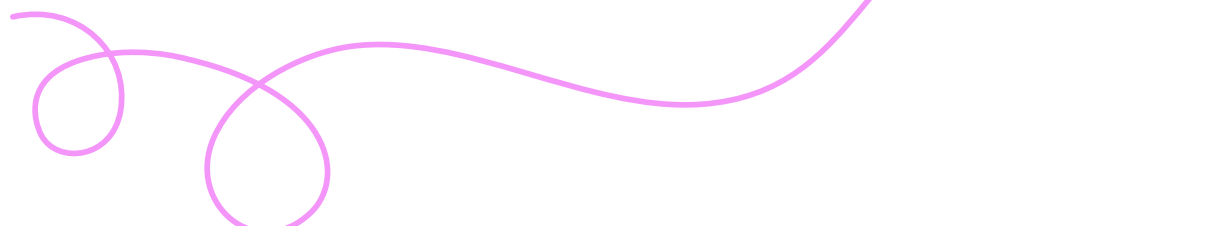
Julian, aged 60, qualified as a Chartered Accountant in 1986. He joined Huntleigh Technology PLC in 1987 and was promoted to Group Finance Director that year, and to Chairman in 2003. Julian was Chairman of the Association of British Healthcare Industries from 2006 to 2007.

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 49), meets the test of independence the UK Corporate Governance Code.



## **Andrew Lindsay MBE, Chief Executive Officer**

Andrew, aged 43, 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 49, 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 59, 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 ATEC Group Limited a specialist digital niche 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 the UK Corporate Governance Code.



### **Beatrice Hollond, Non-Executive Director**

Beatrice, aged 59, 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, 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 the UK Corporate Governance Code.



### **Melvin Lawson, Non-Executive Director**

Melvin, aged 61, is an investor in a number of public and private companies in the real estate and technology sectors. He was previously the Managing Director of A Beckman PLC, a company formerly listed on the London Stock Exchange which was taken private in 1995. He is a non-executive 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 July 2018, save in the limited instances explained below. Copies of the Code are available at [www.frc.org.uk](http://www.frc.org.uk).

This report, together with the Director’s Report on pages 74 to 77 and the Directors’ Remuneration Report on pages 57 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.uw.co.uk](http://www.uw.co.uk)).

**Table of attendance at formal meetings during the year ended 31 March 2020**

Name of Director	Board	Remuneration Committee	Audit Committee	Nomination Committee
<b>Number of meetings</b>	<b>10</b>	<b>3</b>	<b>3</b>	<b>-</b>
Charles Wigoder	10	-	-	-
Julian Schild	10	3	3	-
Andrew Lindsay	10	-	-	-
Nick Schoenfeld	10	-	-	-
Andrew Blowers	10	3	3	-
Beatrice Hollond	9	3	3	-
Melvin Lawson	9	-	-	-

In accordance with provision 12 of the Code, the non-executive directors also met without the executives present during the year.

# Corporate Governance Statement

## continued

### 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.

In accordance with provision 12 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 to provide any additional formal training requested by Board members in future.

### 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 during the year, was appointed to the Board in May 2010 and has therefore 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 and extensive previous experience as an executive director of a listed company. Furthermore, none of the other circumstances listed in the Code as potentially impacting independence apply to Mr Schild. However, in the light of his long service on the Board, it has been agreed that Mr Schild will step down from his role as non-executive Deputy Chairman and from his memberships of the Remuneration Committee and Nomination Committee following the Company's forthcoming AGM. Mr Schild will continue as Chairman of the Audit Committee given his relevant accounting experience and knowledge of the business.

Following these changes Beatrice Hollond will become the Company's Senior Independent non-executive director and, newly appointed non-executive director Suzi Williams will join both the Remuneration Committee and the Nomination Committee.

## 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, as previously highlighted the Committee recognised the increasing focus from investors on the potential benefits of Board diversity and Government-led targets in this regard, and are delighted to have secured the appointment of Ms Suzi Williams as a further independent non-executive director to the Board. Further information on this appointment is set out in the Nomination Committee report on page 52.

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 25 to 28.

## 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. As set out above, following the Company's forthcoming AGM, Beatrice Hollond will take on the role of Senior Independent non-executive director and assist the Executive Chairman in relation to governance matters.

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 14).

## 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.

# Corporate Governance Statement

## continued

### Re-election

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

However, the Code requires that all directors of FTSE 350 companies be subject to annual re-election by shareholders. Therefore, all the directors will be submitted for re-election at the forthcoming Annual General Meeting in July. Acknowledging the Code requirement for a particularly rigorous review in circumstances where non-executive directors' terms are being extended beyond six years, the Board has determined that all directors submitted for re-election continue to make a valuable contribution to the commercial success of the Company, with each bringing a complementary range of skills to the team. In particular, and as referred to above, the Board has considered the long service of 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 57 to 73. As set out above, following the Company's forthcoming AGM new non-executive director Suzi Williams will join the Committee and Julian Schild will step down.

The Remuneration Committee has written terms of reference, available on the Company's website ([www.uw.co.uk](http://www.uw.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 24). The activities of the Audit Committee are set out on pages 54 to 56.

The Audit Committee has written terms of reference, available on the Company's website ([www.uw.co.uk](http://www.uw.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 (Chair of Committee), Julian Schild and Charles Wigoder and therefore has a majority of independent non-executive directors in compliance with the Code (provision 17). 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.uw.co.uk](http://www.uw.co.uk)), which describe the authority and duties which have been delegated to it by the Board. As set out above, following the Company's forthcoming AGM new non-executive director Suzi Williams will join the Committee and Julian Schild will step down.

The activities of the Nomination Committee are set out on pages 52 to 53.

### 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 19 to 24.

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

The Board of directors has continued to review the internal controls of the Company (including financial, operational and compliance controls and risk management) and the principal risks which the Company faces during the year. No material weaknesses in internal controls were identified during the year.

## Share capital and voting rights

Details of the Company's share capital and substantial shareholdings can be found in the Directors' Report under the capital structure and substantial shareholders sections on pages 75 to 76.

By Order of the Board  
**David Baxter**  
Company Secretary  
15 June 2020

# Nomination Committee Report

## Introduction

The members of the Nomination Committee (“the Committee”) are Beatrice Hollond (Chair), Julian Schild and Charles Wigoder; this means that the Committee has a majority of independent non-executive directors in compliance with the UK Corporate Governance Code (“the Code”) (provision 17).

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 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 49 of this document.

## The Committee’s activities for the year ended 31 March 2020

The Committee met informally on a number of occasions during the year and Committee matters were also discussed formally as part of certain full Board meetings.

### Recruitment of new independent non-executive director

The Committee’s principal activity during the year related to the identification and evaluation of a new independent non-executive director.

As set out in the previous Annual Report, the Board evaluation process in 2019 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. The Board also identified the potential benefits from identifying a non-executive director with marketing experience, which is becoming an area of increasing focus for the Company.

A number of appropriate potential candidates were therefore identified by the Board and a shortlist was produced based on the background, experience and capability of the individuals concerned. A small number of candidates met and discussed the opportunity with members of the Committee, acting on behalf of the Board, to evaluate their interest in the opportunity.

From the potential candidates approached, Ms Suzi Williams was identified as an extremely strong candidate by the Committee and displayed a keen interest in joining the Board. Ms Williams has over 25 years' experience in marketing, brand and innovation for leading consumer, media, technology and service brands. From 2005 to 2016 she was Chief Brand and Marketing officer at BT, leading not only their UK business, but also their B2B efforts across 150 countries. Prior to that she was Commercial Development Director at Capital Radio Group and held senior leadership roles at Orange, the BBC, KPMG Consulting and Procter & Gamble Europe. Ms Williams is currently an independent non-executive director of the AA PLC where she is a member of the Nomination and Risk Committees, and on the board of The AA Media Joint Venture. In January 2020 she joined the board of Workspace Group PLC where she sits on all of their board committees. Ms Williams is also a non-executive director of Zegona Communications PLC, where she is Chair of the Nomination and Remuneration Committee. In 2018, Ms Williams was invited to join The England & Wales Cricket Board creating the new Cricket SuperLeague. She is a Fellow of the Marketing Society and an Advisor to Women in Marketing. Suzi also advises a number of early stage technology and AI businesses.

The members of the Committee formally interviewed Ms Williams, benchmarking her experience and capabilities against the key attributes previously discussed by the Board. The Committee's conclusions were reported to the Board and her appointment was put forward for approval. Ms Williams' extensive experience of marketing and telecommunications was particularly attractive to the Committee. It is expected that Ms Williams will formally join the Board immediately after the forthcoming AGM in

July and will become a member of the Remuneration and Nomination committees.

With due regard for the benefits of diversity on the Board, and the wide network of business contacts possessed by the Board, the use of an external search consultancy and open advertising was not considered necessary in the appointment process.

#### **Appointment of new executive director**

In order to further strengthen the Board, the Company's Chief Operating Officer Stuart Burnett will also become a director immediately after the forthcoming AGM. Stuart is responsible for the day to day running of the Company's Energy, Telecoms and Financial Services operations where he has been instrumental in driving the business forward over the last few years. He has also played a key role in ensuring the seamless continuity of the Company's operations during the Covid-19 lockdown.

He joined the Company as Legal & Compliance Director in early 2016, before becoming Commercial Director in 2018 and then Chief Operating Officer last year. During the earlier part of his career he qualified as a solicitor with Slaughter and May in 2008, before working as a senior corporate lawyer at RSA Insurance Group plc and TSB Banking Group plc.

#### **Beatrice Hollond**

Chair of the Nomination Committee  
On behalf of the Board  
15 June 2020

# 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 24) 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 47 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 2020

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 25), 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 16: Leases 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.

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. In accordance with best practice, the Company's previous KPMG audit partner, David Neale, was replaced in the current year (having completed five years in the role) with new audit partner Robert Seale.

# Audit Committee Report

## continued

### 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 6). No such matters were raised by employees during the current year.

**Julian Schild**

Chairman of the Audit Committee

On behalf of the Board

15 June 2020

# 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 57 to 73.

The Company's updated Remuneration Policy was approved by shareholders at the Annual General Meeting held in July 2019.

The updated Remuneration Policy removed the provisions relating to the LTIP which had previously been approved by shareholders in July 2016. The Committee has not at this stage considered any alternative long-term incentive plans but intends to do so 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. These guiding principles will be applied when considering the implementation of any future long-term incentive plans.

As outlined in the last Annual Report, the Executive Chairman, Chief Executive and Chief Financial Officer received increases on their salaries to £461,416, £565,667 and £565,667 respectively for the year to 31 March 2020; the underlying increases were in line with the Company's average cost of living increase for all employees of 2.0%. No further share incentive awards were made to the executive directors during the year.

For the year to 31 March 2021, the Executive Chairman, Chief Executive and Chief Financial Officer will receive increases on their salaries to £470,644, £582,980 and £582,980 respectively; the underlying increases are in line with the average cost of living increase for all employees of 2.0%, and in the case of the Chief Executive and Chief Financial Officer also reflected an increase of £6,000 each to compensate for reductions to their pension contributions by the Company from £10,000 to £4,000 per annum.

I look forward to reporting on the conclusions of our consideration of alternative long-term incentive plans in due course.

**Andrew Blowers**

Chairman of the Remuneration Committee  
15 June 2020

# 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 47.

The Committee's principal activities during the year included:

- reviewing and approving executive director remuneration packages;
- monitoring senior management remuneration packages; and
- reviewing and approving the issue of share options to certain employees.

## 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 genuinely long-term 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 was approved by Company's shareholders 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
<b>Base salary</b>			
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.
<b>Benefits</b>			
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
<b>Annual bonus</b>			
<p>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.</p>	<p>Bonus payment would be dependent on achievement of performance measures.</p>	<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>
<b>Ad hoc cash bonus</b>			
<p>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.</p>	<p>Bonus to be paid at the discretion of the Remuneration Committee and based on the formal recommendation of the Chairman.</p>	<p>Maximum potential bonus of 10% of base salary in any one year.</p>	<p>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.</p>

How component supports strategic objectives	Operation of component	Maximum potential value of component	Performance metrics used, weighting and time periods
<b>Share incentive schemes</b>			
<p>To directly align the directors' interests with those of all other shareholders.</p>	<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><b>Share Incentive Schemes</b> 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><b>Share Incentive Schemes</b> 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"> <li>• Adjusted EPS growth</li> <li>• TSR growth</li> <li>• Service number growth</li> </ul> <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 a material failure in risk management ("Malus and Clawback").</p> <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"> <li>(i) Gross misconduct of the participant;</li> <li>(ii) Material error or misstatement in the accounts; or</li> <li>(iii) Grant or vesting of awards being found to be incorrect due to misleading or inaccurate information.</li> </ul>

# Remuneration Policy

## continued

How component supports strategic objectives	Operation of component	Maximum potential value of component	Performance metrics used, weighting and time periods
<b>Pension</b>			
To provide funding for retirement.	Defined contribution pension scheme 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.
<b>Shareholding requirement</b>			
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



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

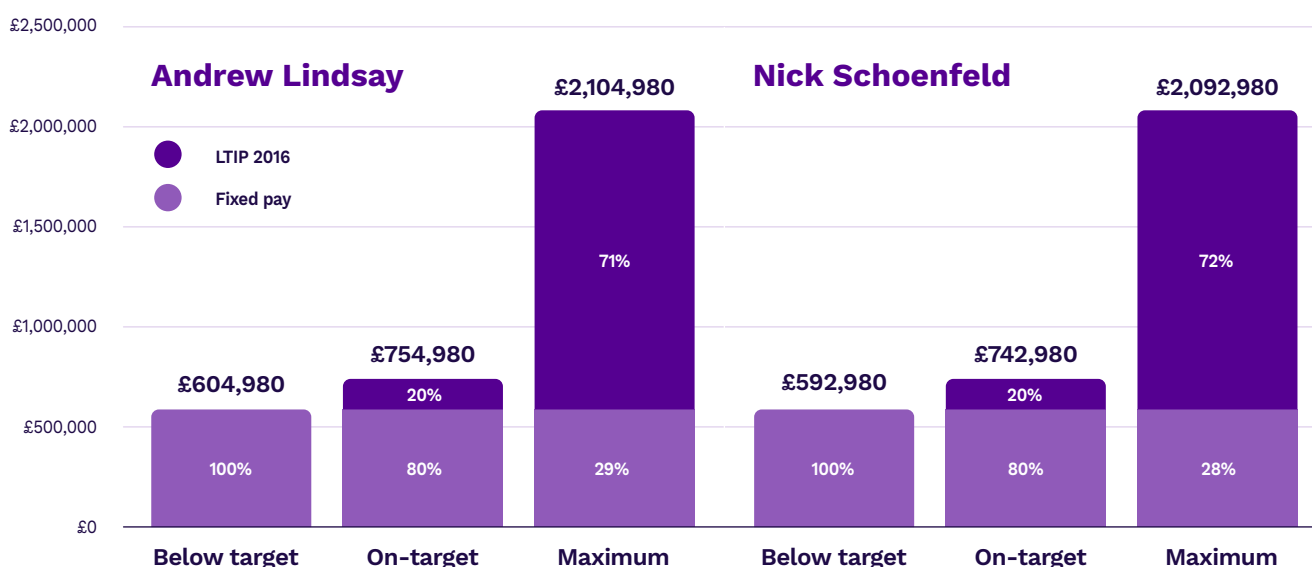
set on a standard practice, median to upper quartile ranking range. Only 30% of share incentive awards vest for threshold levels of performance.

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><b>Share Incentive Schemes</b> 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><b>LTIP 2016</b> 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><b>Share Incentive Schemes</b> 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> <p><b>LTIP 2016</b> 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>	N/A

Standard provision	Policy	Details	Other provisions in service contracts
	In the event of injury, disability, retirement or redundancy, the Committee may exercise its discretion to classify the participant as a “good leaver”.	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.	
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.

## 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.

# Remuneration Policy

## continued

### 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 July 2018 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 2019 as follows:

- Charles Wigoder - increased from £452,369 to £461,416;
- Andrew Lindsay - increased from £554,575 to £565,667; and
- Nick Schoenfeld - increased from £554,575 to £565,667.

The underlying increases were in line with the Company’s average cost of living increase for all employees of 2.0%.

The non-executive directors receive fees for their services, the details of which are described below. The wider Board 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.

# Annual Report on Remuneration continued

## Year ended 31 March 2020 (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	461	-	-	-	461
Julian Schild	45	-	-	-	45
Andrew Lindsay	566	18	10	-	594
Nick Schoenfeld	566	6	10	-	582
Andrew Blowers	45	3	-	-	48
Beatrice Hollond	45	-	-	-	45
Melvin Lawson	12	-	-	-	12
<b>Total</b>	<b>1,740</b>	<b>27</b>	<b>20</b>	<b>-</b>	<b>1,787</b>

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

## 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
<b>Total</b>	<b>1,694</b>	<b>35</b>	<b>20</b>	<b>-</b>	<b>1,749</b>

The amounts relating to taxable benefits received mainly include the provision of private health insurance and motor vehicles 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 has been withdrawn from the

Company's Remuneration Policy. 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.

### 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 2020 was £12.42).

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.

# Annual Report on Remuneration

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 2019	Granted	Exercised/ lapsed	31 March 2020	Exercise price per share	Exercisable from	Expiry date
<b>Charles Wigoder</b>							
SAYE Scheme							
23 August 2018	1,727	-	-	1,727	1042p	1 Nov 21	30 Apr 22
<b>Andrew Lindsay</b>							
LTIP 2016 – growth shares							
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
<b>Nick Schoenfeld</b>							
LTIP 2016 – growth shares							
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



## 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.

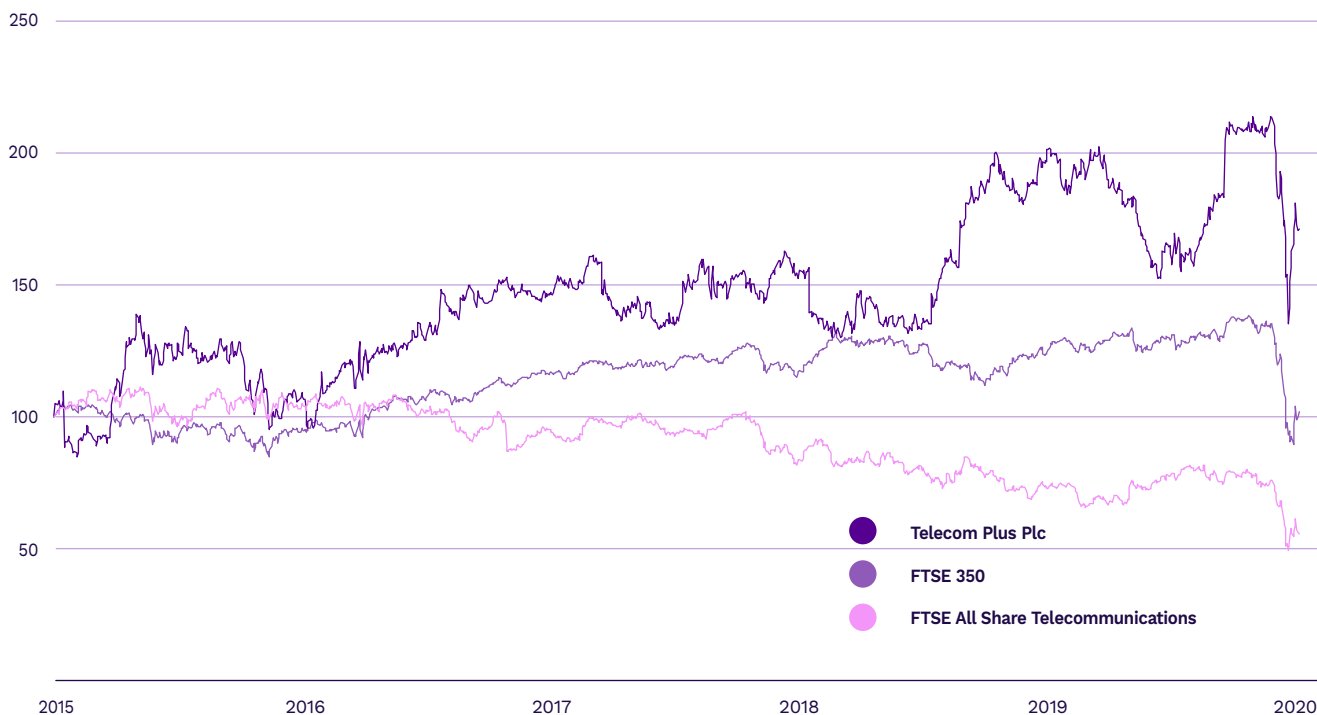
## Pension schemes (audited)

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 68.

## 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 2015 to 31 March 2020. 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 18.6% of the Company's revenues are now generated from such telephony services.

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



Source: Bloomberg

# Annual Report on Remuneration

## continued

### 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	2016	2017	2018	2019	2020
Single figure of total remuneration £'000	513	523	555	581	594
Percentage of maximum of share incentives vesting in year %	N/A	N/A	N/A	N/A	N/A

No share incentive awards vested to the Chief Executive in the years ended 31 March 2016, 2017, 2018 and 2019. Although 7,500 growth shares under the LTIP 2016 vested to the Chief Executive during the year, the minimum share price at which these are convertible into ordinary shares in the Company is £20; this price was not reached during the period.

### 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	2020 £'000	2019 £'000	Change %
Salary	566	555	2.0%
Benefits	18	16	12.5%

The Group's pay review for the year ended 31 March 2020 which took effect on 1 April 2019 awarded average percentage increases in salaries to employees of 2.0%.

### Chief Executive pay ratio

The table below sets out the Chief Executive pay ratio as at 31 March 2020. The report will build up over time to show a rolling 10-year period.

The ratios compare the single total figure of remuneration of the Chief Executive from the directors' remuneration table above with the equivalent figures for the lower quartile (Y25), median (Y50) and upper quartile (Y75) employees.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	A	38:1	22:1	16:1

The result of the median pay ratio is in line with the Company's general policy to provide a competitive remuneration package so as to enable the attraction and retention of high calibre individuals at each level. The pay ratios also reflect changes in the relative degree of personal responsibility and accountability across differing roles which is reflected in remuneration.

### 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	2020 £'000	2019 £'000	Change %
Wages and salaries	59,159	44,993	31.5%
Dividends paid	42,214	39,739	6.2%

## Statement of implementation of remuneration policy in the following financial year

### Base salaries

For the year to 31 March 2021 the Committee recommended that the Executive Chairman, Chief Executive and Chief Financial Officer receive increases on their salaries £470,644, £582,980 and £582,980 respectively; the underlying increases are in line with the Company's average cost of living increase for all employees of 2.0%, and in the case of the Chief Executive and Chief Financial Officer also reflected an increase of £6,000 each to compensate for reductions to their pension contributions by the Company from £10,000 to £4,000 per annum.

No increases were proposed for the non-executive directors.

### 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:

	2019 AGM	%
<b>To approve the 2019 Remuneration Report</b>		
Votes cast in favour & Chairman discretion	42,792,642	77.85
Votes cast against	12,174,611	22.15
<b>Total</b>	<b>54,967,253</b>	<b>100.00</b>

In addition to the above there were 9,839 votes withheld.

	2019 AGM	%
<b>To approve the Remuneration Policy</b>		
Votes cast in favour & Chairman discretion	47,582,118	86.53
Votes cast against	7,404,932	13.47
<b>Total</b>	<b>54,987,050</b>	<b>100.00</b>

In addition to the above there were 13,481 votes withheld.

The Committee believes that the main reason behind the number of votes cast against the Remuneration Report was ongoing residual concerns around historical awards made under the Company's LTIP. As previously highlighted the LTIP was removed from the Company's updated Remuneration Policy and no further awards will therefore be made under the scheme.

**Andrew Blowers**

Chairman of the Remuneration Committee

On behalf of the Board

15 June 2020

# Directors' Report

The directors have pleasure in presenting their report and the audited financial statements for the year to 31 March 2020.

## Principal activities and business review

A full review of the development of the business is contained in the Strategic Report on pages 1 to 33. 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 £35,760,000 (2019: £32,825,000) has been transferred to reserves. An interim dividend of 27p per share (2019: 25p) was paid during the year. A final dividend of 30p per share (2019: 27p per share) is proposed. On 21 April 2020 the Board announced that it expected adjusted profit before tax from continuing activities to be around £60 million for the year ended 31 March 2020. The actual adjusted profit before tax for the year ended 31 March 2020 was £60.8 million (see Financial Review page 16).

## 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 70.

Director	Ordinary 5p shares held at	
	31 March 2020	31 March 2019
Charles Wigoder	16,012,442	16,012,442
Julian Schild*	189,932	189,932
Andrew Lindsay	359,149	359,149
Nick Schoenfeld	7,951	7,951
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 4,092,683 shares (2019: 3,767,683).*

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 25 to 28.

## Substantial shareholders

As at 15 June 2020, 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	11,018,468	14.0%
Schroders Plc	5,040,272	6.4%
Blackrock	2,688,845	3.4%
Canaccord Genuity Group Inc.	2,633,894	3.4%
Unicorn Asset Management	2,574,000	3.3%
Vanguard Group	2,428,858	3.1%

## Capital structure

### Restrictions on the transfer of shares

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

# Directors' Report

## continued

Other than as set out below and so far as the directors are aware, there were no arrangements at 31 March 2020 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 2020 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 25 July 2019, the Company obtained authority to purchase up to 7,839,558 ordinary shares representing approximately 10% of the issued ordinary share capital (excluding treasury shares) as at 21 June 2019. The Company intends to renew this authority at this year's AGM.

### Treasury shares

The Company held 482,276 ordinary shares in treasury as at 31 March 2020 (2019: 482,276).

### 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 mainly in the Corporate Governance Statement on pages 47 to 51.

### 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 19 to 24. 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 2023.

The directors have determined that a three-year period to 31 March 2023 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 potential risks associated with Covid-19 have also been considered by the Board, including customers' ability to pay the Company for the services they are using, social distancing regulations temporarily reducing the activity by our Partners, and the potential impact of the financial performance on wholly-owned meter operator subsidiary, UW Home Services ('UWHS').

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

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

In January 2020 the Group agreed new total revolving credit facilities of £150.0 million with Barclays Bank PLC, Lloyds Bank PLC and Bank of Ireland Group PLC for the period to 17 January 2023. As at 31 March 2020, £95 million of this facility was drawn down and the Company had cash balances of £44m on deposit.

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  
15 June 2020



**The Company has considerable financial resources... [so] the directors believe that the Company is well placed to manage its business risks.**

# 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.



## 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  
15 June 2020

**Nick Schoenfeld**  
Chief Financial Officer  
15 June 2020

# Financial Statements



# 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 2020 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated and Company Cash flow statements and Consolidated and Company Statement of Changes in Equity and the related notes, including the accounting policies on pages 94 to 101.

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 2020 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 first appointed as auditor by the directors on 20 February 2015. The period of total uninterrupted engagement is for the six financial years ended 31 March 2020. 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

<b>Materiality:</b> group financial statements as a whole	£2.2m (2019: £2.0m) 4.6% (2019: 4.7%) of profit before tax
Coverage	97% (2019: 98%) of group profit before tax

### Key audit matters vs 2019

<b>Recurring risks</b>	Non-Smart Meter 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 (unchanged from 2019), in decreasing order of significance in arriving at our audit opinion above together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<b>Non-Smart meter energy revenue recognition</b>	<b>Use of estimates</b>	<b>Our procedures included:</b>
Refer to page 55 (Audit Committee Report), page 95 (critical accounting estimates), page 96 (accounting policy) and page 103 (financial disclosures).	<p>An element of Revenue recognised in relation to the supply of gas and electricity includes making an estimate of the volume of energy supplied to customers between the date of the last meter reading and the year end for non-smart meters. The method of estimating usage is complex and judgmental, and is sensitive to a number of factors, including volatility in weather patterns.</p> <p>The risk of misstatement is that the accounting for the Group's estimated non-smart meter energy revenue does not appropriately reflect the underlying actual delivery of gas and electricity as at 31 March 2020.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that non-smart meter 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>	<ul style="list-style-type: none"> <li>• <b>Assessing principles:</b> assessing the appropriateness of the revenue recognition accounting policy through comparison with relevant accounting standards and industry practice;</li> <li>• <b>Control observation:</b> testing the design and implementation of the Group's controls over monitoring the accuracy of the billing systems estimation of energy usage;</li> <li>• <b>Test of detail:</b> 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 2020 and 2 April 2020, with the billing system generated estimated usage for the same period;</li> <li>• <b>Test of detail:</b> For a sample of third party non-smart meters readings comparing the actual non-smart energy usage to assess accuracy of the non-smart meter readings;</li> <li>• <b>Test of detail:</b> Obtain all journals posted in respect of revenue and analyse these to identify and investigate any entries which appeared unusual based upon the specific characteristics of the journal;</li> <li>• <b>Test of detail:</b> 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</li> <li>• <b>Assessing transparency:</b> considering whether the critical accounting estimates, judgements and assumptions, and accounting policy disclosures properly reflect the judgements and estimates inherent in recognising revenue.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>• We found the resulting estimate of non-smart meter energy revenue to be acceptable (2019 result: acceptable).</li> </ul>

	The risk	Our response
<b>Recoverability of parent Company's investment in subsidiaries</b>	<b>Low risk, high value</b>	<b>Our procedures included:</b>
(£262.0m; 2019: £262.0m)  Refer to page 55 (Audit Committee Report), page 100 (accounting policy) and page 109 (financial disclosures).	The carrying amount of the parent company's investment in subsidiary represents 99% (2019: 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.	<ul style="list-style-type: none"> <li>• <b>Tests of detail:</b> comparing the carrying amount of the investment value with the subsidiary's draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether the subsidiary has historically been profit-making.</li> <li>• <b>Assessing subsidiary audit:</b> Assessing the work performed by the Group audit team on that subsidiary and considering the results of that work on that subsidiary's profits and net assets.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>• We found the group's assessment of the recoverability of the investment in subsidiaries to be acceptable. (2019 result: acceptable).</li> </ul>

### 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 £2.2m (2019: £2.0m), determined with reference to a benchmark of group profit before tax of £48.1m (2019: £43.0m with reference to a benchmark of group profit before tax) of which it represents 4.6% (2019: 4.7%).

Materiality for the parent company financial statements as a whole was set at £1.4m (2019: £1.5m), determined with reference to a benchmark of company total assets, of which it represents 0.5% (2019: 0.6%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £110,000 (2019: £100,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 9 (2019: 9) reporting components, we subjected 4 (2019: 5) to full scope audits for group purposes. All audits were conducted by the Group team, with a component materiality ranging from £410,000 to £1,400,000 (2019: £60,000 to £1,500,000).

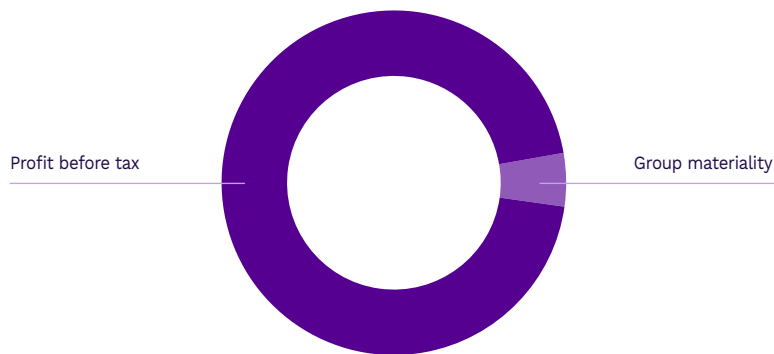
The components within the scope of our work accounted for the percentages illustrated below.

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.

# Independent Auditor's Report to the Members of Telecom Plus Plc continued

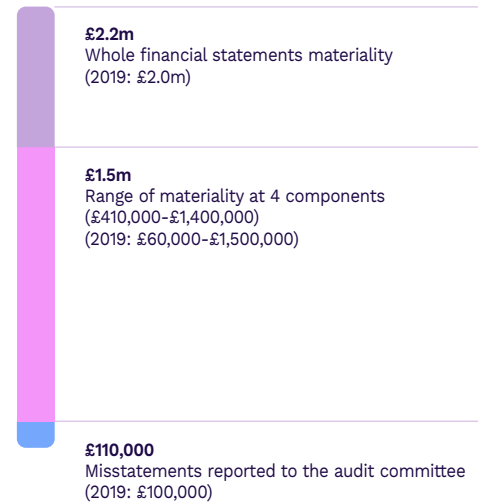
## Profit before tax

£48.1m (2019: £43.0m)

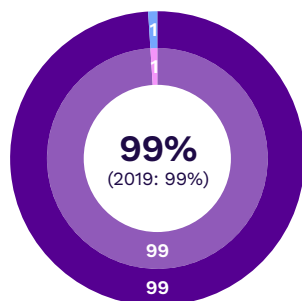


## Group materiality

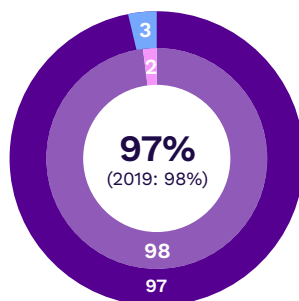
£2.2m (2019: £2.0m)



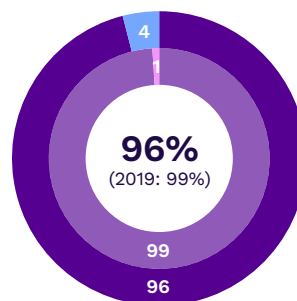
### Group revenue



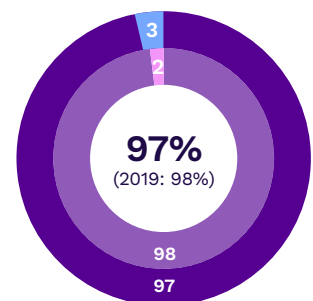
### Group profit before tax



### Group total assets



### Group profit before exceptional items and tax



- Full scope for group audit purposes 2020
- Full scope for group audit purposes 2019
- Residual components

## 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 their customer base as a result of increased competition.
- The ability of the customer base to pay for the services they are using as a result of impacts from Covid-19.

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 pages 75 to 76 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.

### 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.

# Independent Auditor's Report to the Members of Telecom Plus Plc continued

## 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, pages 76 to 77 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Risk, Control and Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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 pages 78 and 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](http://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.

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.

**Robert Seale (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
15 Canada Square  
London E14 5GL  
15 June 2020

# Consolidated Statement of Comprehensive Income for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Revenue	1	875,774	804,438
Cost of sales		(708,077)	(654,874)
<b>Gross profit</b>		<b>167,697</b>	<b>149,564</b>
Distribution expenses		(27,662)	(25,981)
Share incentive scheme credits/(charges)		1	(10)
Total distribution expenses		(27,661)	(25,991)
Administrative expenses		(78,683)	(67,916)
Share incentive scheme charges		(1,285)	(1,772)
Amortisation of energy supply contract intangible		(11,228)	(11,228)
Total administrative expenses		(91,196)	(80,916)
Other income		1,328	1,656
<b>Operating profit</b>	1,2	<b>50,168</b>	<b>44,313</b>
Financial income		280	206
Financial expenses		(2,336)	(1,520)
<b>Net financial expense</b>		<b>(2,056)</b>	<b>(1,314)</b>
<b>Profit before taxation</b>		<b>48,112</b>	<b>42,999</b>
Taxation	4	(12,352)	(10,174)
<b>Profit for the period</b>		<b>35,760</b>	<b>32,825</b>
Profit and other comprehensive income for the year attributable to owners of the parent		35,911	33,103
Loss for the year attributable to non-controlling interest		(151)	(278)
<b>Profit for the period</b>		<b>35,760</b>	<b>32,825</b>
Basic earnings per share		45.9p	42.5p
Diluted earnings per share		45.7p	42.3p

# Consolidated Balance Sheet as at 31 March 2020

	Note	2020 £'000	2019 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	37,767	30,579
Investment property	5	8,432	8,621
Intangible assets	6	167,719	173,655
Goodwill	7	5,324	5,324
Other non-current assets	10	25,185	19,052
<b>Total non-current assets</b>		<b>244,427</b>	<b>237,231</b>
<b>Current assets</b>			
Inventories		4,633	4,781
Trade and other receivables	11	57,718	48,450
Prepayments and accrued income	11	132,270	119,190
Cash		43,611	24,166
<b>Total current assets</b>		<b>238,232</b>	<b>196,587</b>
<b>Total assets</b>		<b>482,659</b>	<b>433,818</b>
<b>Current liabilities</b>			
Trade and other payables	13	(35,291)	(31,064)
Current tax payable		-	(5,065)
Accrued expenses and deferred income	14	(121,323)	(111,386)
<b>Total current liabilities</b>		<b>(156,614)</b>	<b>(147,515)</b>
<b>Non-current liabilities</b>			
Long term borrowings	12	(94,020)	(59,598)
Lease liabilities	12	(8,969)	(1,616)
Deferred tax	9	(1,104)	-
<b>Total non-current liabilities</b>		<b>(104,093)</b>	<b>(61,214)</b>
<b>Total assets less total liabilities</b>		<b>221,952</b>	<b>225,089</b>
<b>Equity</b>			
Share capital	15	3,962	3,950
Share premium		143,896	141,732
Capital redemption reserve		107	107
Treasury shares	15	(5,502)	(5,502)
JSOP reserve		(1,150)	(1,150)
Retained earnings		81,068	86,230
Non-controlling interest		(429)	(278)
<b>Total equity</b>		<b>221,952</b>	<b>225,089</b>

These accounts were approved and authorised for issue by the Board on 15 June 2020

**Andrew Lindsay, Director**

**Nick Schoenfeld, Director**

# Company Balance Sheet as at 31 March 2020

	Note	2020 £'000	2019 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiary undertakings	8	262,037	262,037
Other non-current assets	10	2,956	2,956
<b>Total non-current assets</b>		<b>264,993</b>	264,993
<b>Current assets</b>			
Trade and other receivables	11	22	59
Prepayments and accrued income	11	71	29
Cash		888	292
<b>Total current assets</b>		<b>981</b>	380
<b>Total assets</b>		<b>265,974</b>	265,373
<b>Current liabilities</b>			
Trade and other payables	13	(67,348)	(76,254)
Accrued expenses and deferred income	14	(65)	-
<b>Total current liabilities</b>		<b>(67,413)</b>	(76,254)
Non-current liabilities		-	-
<b>Total assets less total liabilities</b>		<b>198,561</b>	189,119
<b>Equity</b>			
Share capital	15	3,954	3,942
Share premium		143,896	141,732
Capital redemption reserve		107	107
Treasury shares	15	(5,502)	(5,502)
Retained earnings		56,106	48,840
<b>Total equity</b>		<b>198,561</b>	189,119

These accounts were approved and authorised for issue by the Board on 15 June 2020

**Andrew Lindsay, Director**

**Nick Schoenfeld, Director**

# Consolidated and Company Cash Flow Statements for the year ended 31 March 2020

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Operating activities</b>				
Profit/(loss) before taxation	48,112	42,999	(520)	(459)
Adjustments for:				
Net financial expense	2,056	1,314	-	-
Depreciation of property, plant and equipment	4,142	3,100	-	-
(Profit)/loss on disposal of fixed assets	(51)	1	-	-
Amortisation of intangible assets	13,345	12,509	-	-
Amortisation of debt arrangement fees	491	229	-	-
Decrease in inventories	148	1,320	-	-
Increase in trade and other receivables	(27,821)	(5,695)	(5)	(61)
Increase/(decrease) in trade and other payables	14,410	(23,457)	8	22
(Decrease)/Increase in inter-company payable	-	-	(8,849)	12,572
Non-cash adjustments arising from IFRSs 9 and 15	-	6,348	-	-
Non-cash adjustments arising from acquisitions	-	(834)	-	-
Share incentive scheme charges	1,284	1,783	-	-
Corporation tax paid	(17,097)	(12,148)	-	-
<b>Net cash flow from operating activities</b>	<b>39,019</b>	<b>27,469</b>	<b>(9,366)</b>	<b>12,074</b>
<b>Investing activities</b>				
Purchase of property, plant and equipment	(2,910)	(2,495)	-	-
Purchase of intangible assets	(7,409)	(5,054)	-	-
Disposal of property, plant and equipment	87	5	-	-
Distributions from subsidiary companies	-	-	50,000	30,000
Purchase of shares in subsidiaries acquired (net of cash acquired)	-	(709)	-	-
Interest received	295	167	-	-
<b>Cash flow from investing activities</b>	<b>(9,937)</b>	<b>(8,086)</b>	<b>50,000</b>	<b>30,000</b>
<b>Financing activities</b>				
Dividends paid	(42,214)	(39,739)	(42,214)	(39,739)
Interest paid	(2,582)	(1,310)	-	-
Drawdown of long-term borrowing facilities	145,000	20,000	-	-
Repayment of long-term borrowing facilities	(110,000)	-	-	-
Fees associated with borrowing facilities	(1,069)	-	-	-
Repayment of lease liabilities	(948)	(274)	-	-
Issue of new B shares in subsidiary	-	1	-	-
Issue of new ordinary shares	2,176	2,696	2,176	2,696
Purchase of own shares	-	(4,742)	-	(4,742)
<b>Cash flow from financing activities</b>	<b>(9,637)</b>	<b>(23,368)</b>	<b>(40,038)</b>	<b>(41,785)</b>
Increase/(decrease) in cash and cash equivalents	19,445	(3,985)	596	289
Net cash and cash equivalents at the beginning of the year	24,166	28,151	292	3
<b>Net cash and cash equivalents at the year end</b>	<b>43,611</b>	<b>24,166</b>	<b>888</b>	<b>292</b>

# Consolidated Statement of Changes in Equity for the year ended 31 March 2020

Consolidated	Share capital	Share premium	Capital redemption reserve	Treasury shares	JSOP reserve	Retained earnings	Non-controlling interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2018	3,930	139,055	107	(760)	(1,150)	90,901	-	232,083
<b>Profit and total comprehensive income</b>	-	-	-	-	-	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)
<b>Balance at 31 March 2019</b>	<b>3,950</b>	<b>141,732</b>	<b>107</b>	<b>(5,502)</b>	<b>(1,150)</b>	<b>86,230</b>	<b>(278)</b>	<b>225,089</b>
Balance at 1 April 2019	3,950	141,732	107	(5,502)	(1,150)	86,230	(278)	225,089
Opening balance adjustments	-	-	-	-	-	(26)	-	(26)
<b>Revised opening balances</b>	<b>3,950</b>	<b>141,732</b>	<b>107</b>	<b>(5,502)</b>	<b>(1,150)</b>	<b>86,204</b>	<b>(278)</b>	<b>225,063</b>
<b>Profit and total comprehensive income</b>	-	-	-	-	-	<b>35,911</b>	<b>(151)</b>	<b>35,760</b>
Dividends	-	-	-	-	-	(42,214)	-	(42,214)
Credit arising on share options	-	-	-	-	-	1,284	-	1,284
Deferred tax on share options	-	-	-	-	-	(125)	-	(125)
Retained earnings tax adjustments	-	-	-	-	-	8	-	8
Issue of new ordinary shares	12	2,164	-	-	-	-	-	2,176
<b>Balance at 31 March 2020</b>	<b>3,962</b>	<b>143,896</b>	<b>107</b>	<b>(5,502)</b>	<b>(1,150)</b>	<b>81,068</b>	<b>(429)</b>	<b>221,952</b>

The opening balance adjustments as at 1 April 2019 relate to the implementation of IFRS 16 Leases, further detail is set out in note 21 to the financial statements.

# Company Statement of Changes in Equity for the year ended 31 March 2020

Company	Share capital	Share premium	Capital redemption reserve	Treasury shares	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2018	3,923	139,055	107	(760)	59,038	201,363
<b>Profit and total comprehensive income/(loss)</b>	-	-	-	-	(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)
<b>Balance at 31 March 2019</b>	<b>3,942</b>	<b>141,732</b>	<b>107</b>	<b>(5,502)</b>	<b>48,840</b>	<b>189,119</b>
<b>Profit and total comprehensive income/(loss)</b>	-	-	-	-	(520)	(520)
Distributions from subsidiary companies	-	-	-	-	50,000	50,000
Dividends	-	-	-	-	(42,214)	(42,214)
Issue of new ordinary shares	12	2,164	-	-	-	2,176
<b>Balance at 31 March 2020</b>	<b>3,954</b>	<b>143,896</b>	<b>107</b>	<b>(5,502)</b>	<b>56,106</b>	<b>198,561</b>

# Notes to the Consolidated Financial Statements

## 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 2020 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 15 June 2020.

## Presentation of financial statements

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

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

## Significant accounting policies

### (a) Statement of compliance

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

### (b) Basis of preparation

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 33. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 16 to 18 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.

### Going concern

In January 2020 the Company agreed new total revolving credit facilities of £150.0 million with Barclays Bank PLC, Lloyds Bank PLC and Bank of Ireland Group PLC for the period to 17 January 2023, with an option (subject to bank consent) to extend for up to a further two years, of which £95 million was drawn down as at 31 March 2020 (2019: £60m drawn down).

The Company has considered the impact of Covid-19 when preparing the financial statements and still believes it 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 a period of 12 months. 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.

### 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 in relation to non-smart meter customers. This will have been estimated by using historical consumption patterns, prevailing weather data and other industry information.

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 materially 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 £520,000 before the receipt of distributions from subsidiary companies of £50,000,000 (2019: loss of £459,000 before receipt of distributions from subsidiary companies of £30,000,000).

The Group was required to apply IFRS 16 (Leases) for the first time during the period. Details of the impact of this standard are 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

## 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 and boiler cover 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.

#### **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. 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.

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, home insurance and boiler cover 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, home insurance and boiler cover 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 and billed.

#### **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.

#### **(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.

# Notes to the Consolidated Financial Statements

## continued

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**

#### **(i) Leases – pre implementation of IFRS 16**

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

#### **(ii) Leases – post implementation of IFRS 16**

##### **As a lessee: Recognition of a lease**

The contracts are assessed by the Group to determine whether a contract is, or contains, a lease. In general contracts are deemed to contain a lease when the following apply:

- Conveys the right to control the use of an identified asset for a certain period in exchange for consideration;
- The Group has substantially all economic benefits from the use of the asset; and
- The Group can direct the use of the identified asset.

This policy is applied to contracts entered into, or changed, on or after 1 April 2019. At commencement or on modification of a contract that contains a lease component, the Group recognises a right-of-use asset and a lease liability at the lease commencement date.

#### **Right-of-use asset**

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term, or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

#### **Lease Liability**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The Group includes right-of-use assets within property, plant and equipment and the corresponding lease liabilities in 'lease liabilities' on the balance sheet.

#### **Short-term leases and leases of low-value assets**

The Group has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense 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.

### **(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.

# Notes to the Consolidated Financial Statements

## continued

### (n) Impairment

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

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

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

### (o) Investments

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

### (p) Inventories

Inventories principally include smart electricity and gas meters, mobile telephones, LED light bulbs and other electronic equipment and are valued at the lower of cost and net realisable value. Cost is measured on a first in, first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### (q) Financial instruments

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

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

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

### **(r) Trade receivables**

Trade receivables are stated at their nominal value as reduced by 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.

### **(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.

# Notes to the Consolidated Financial Statements

## continued

### 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 2020			Year ended 31 March 2019		
	Customer Management	Customer Acquisition	Total	Customer Management	Customer Acquisition	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	855,529	20,245	875,774	784,973	19,465	804,438
Segment result	67,317	(17,149)	50,168	63,862	(19,549)	44,313
Operating profit			50,168			44,313
Net financing expense			(2,056)			(1,314)
Profit before taxation			48,112			42,999
Taxation			(12,352)			(10,174)
Profit for the period			35,760			32,825
Segment assets	466,468	16,191	482,659	421,312	12,506	433,818
Total assets	466,468	16,191	482,659	421,312	12,506	433,818
Segment liabilities	(257,424)	(3,283)	(260,707)	(205,558)	(3,171)	(208,729)
Net assets			221,952			225,089
Capital expenditure	(10,077)	(242)	(10,319)	(7,365)	(184)	(7,549)
Depreciation	4,045	97	4,142	3,024	76	3,100
Amortisation	13,345	-	13,345	12,509	-	12,509

Statutory operating profit is stated after deducting share incentive scheme charges (£1.3m) and the amortisation of the energy supply contract intangible asset (£11.2m).



## Revenue by service

	2020 £'000	2019 £'000
<b>Customer Management</b>		
Electricity	384,246	351,197
Gas	284,748	268,140
Fixed communications	125,394	116,522
Mobile	37,393	32,477
Other	23,748	16,637
	<b>855,529</b>	<b>784,973</b>
Customer Acquisition	20,245	19,465
	<b>875,774</b>	<b>804,438</b>

The Group operates solely in the United Kingdom.

## Contract balances

The following table provides the information about contract assets and contract liabilities from contracts with customers.

Group	2020 £'000	2019 £'000
Contract assets, which are included in accrued income	120,285	108,961
Contract liabilities, which are included in deferred income	1,396	1,523

The Group has implemented an expected credit loss impairment model with respect to contract assets. This and any significant changes in contract assets and liabilities are disclosed in note 11. There are no contract balances from contracts with customers in the Company.

## 2. Operating profit

Operating profit is stated after charging/(crediting):

	2020 £'000	2019 £'000
Depreciation and amortisation	17,487	15,609
Loss/(profit) on disposal of fixed assets	(51)	1
Operating lease rentals - land and buildings	-	320
Auditor's remuneration	180	170
- audit of Company and consolidated accounts		
- audit of subsidiaries of the Company	65	50
- audit related assurance services	38	28
Inventories expensed	20,164	19,745
Receivables and accrued income impairment cost	10,444	8,136
Rental income	(1,295)	(1,093)

Total fees paid to the auditor KPMG LLP during the year were £283,000 (2019: £248,000), including non-audit services of £38,000 (2019: £28,000).

# Notes to the Consolidated Financial Statements

## continued

### 3. Personnel expenses

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

	2020 £'000	2019 £'000
Wages and salaries	59,159	44,993
Social security costs	5,781	4,677
Pension contributions	1,857	1,025
	<b>66,797</b>	<b>50,695</b>
Share incentive scheme charges	1,285	1,772
	<b>68,082</b>	<b>52,467</b>

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

	2020	2019
Customer Acquisition	250	170
Customer Management	1,527	1,217
	<b>1,777</b>	<b>1,387</b>

### 4. Taxation

#### (i) Recognised in the Statement of Comprehensive Income

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

	2020 £'000	2019 £'000
<b>Current tax charge</b>		
Current year	11,570	10,597
Adjustments for prior years	(234)	93
	<b>11,336</b>	<b>10,690</b>
<b>Deferred tax charge</b>		
Decelerated capital allowances	120	53
Increase/(reduction) in respect of share options	679	(566)
Adjustment for prior years	217	(3)
	<b>1,016</b>	<b>(516)</b>
<b>Total tax charge</b>	<b>12,352</b>	<b>10,174</b>

**(ii) Reconciliation of total tax charge**

	2020 £'000	2019 £'000
<b>Profit before tax</b>	<b>48,112</b>	42,999
<b>Corporation tax using the UK corporation tax rate of 19% (2019: 19%)</b>	<b>9,141</b>	8,170
Expenses not deductible for taxation purposes	2,469	2,403
Adjustment in respect of share options	884	(863)
Adjustments in respect of prior years - current tax	(234)	93
- deferred tax	217	(3)
Other deferred tax adjustments	(125)	374
<b>Total tax charge</b>	<b>12,352</b>	10,174

A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020 reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the Company's future current tax charge accordingly. The deferred tax balance at 31 March 2020 has been calculated at 19% (2019: 17%).

**5. Property, plant and equipment**

Group 2020	Investment property £'000	Freehold land & buildings £'000	Leasehold land & buildings £'000	Freehold & leasehold improvements £'000	Plant & machinery £'000	Fixtures, fittings & office equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>								
At 1 April 2019	13,319	27,383	-	889	728	13,606	4,072	59,997
Additions	106	-	-	472	440	1,496	4,855	7,369
Implementation of IFRS 16	-	-	3,817	-	-	-	-	3,817
Disposals	-	-	-	-	-	-	(345)	(345)
<b>At 31 March 2020</b>	<b>13,425</b>	<b>27,383</b>	<b>3,817</b>	<b>1,361</b>	<b>1,168</b>	<b>15,102</b>	<b>8,582</b>	<b>70,838</b>
<b>Depreciation</b>								
At 1 April 2019	(4,698)	(3,549)	-	(765)	(186)	(9,994)	(1,605)	(20,797)
Charge for the year	(295)	(855)	(442)	(29)	(127)	(1,455)	(939)	(4,142)
Disposals	-	-	-	-	-	-	300	300
<b>At 31 March 2020</b>	<b>(4,993)</b>	<b>(4,404)</b>	<b>(442)</b>	<b>(794)</b>	<b>(313)</b>	<b>(11,449)</b>	<b>(2,244)</b>	<b>(24,639)</b>
<b>Net book amounts</b>								
At 31 March 2020	8,432	22,979	3,375	567	855	3,653	6,338	46,199

The Company no longer holds any property, plant and equipment following the Group reorganisation in April 2017. Motor vehicles include right of use assets held under finance leases with a net book value as at 31 March 2020 of £5.6m (2019: £1.5m).

The balances in leasehold land & buildings comprise right of use assets with a net book value of £3.4m (2019: £Nil) and represent adjustments required under new accounting standard IFRS 16 Leases, further detail is set out in note 21.

# Notes to the Consolidated Financial Statements

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<b>Group 2019</b>	<b>Investment property £'000</b>	<b>Freehold land &amp; buildings £'000</b>	<b>Freehold &amp; leasehold improvements £'000</b>	<b>Plant &amp; machinery £'000</b>	<b>Fixtures, fittings &amp; office equipment £'000</b>	<b>Motor vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>							
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)
<b>At 31 March 2019</b>	<b>13,319</b>	<b>27,383</b>	<b>889</b>	<b>728</b>	<b>13,606</b>	<b>4,072</b>	<b>59,997</b>
<b>Depreciation</b>							
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
<b>At 31 March 2019</b>	<b>(4,698)</b>	<b>(3,549)</b>	<b>(765)</b>	<b>(186)</b>	<b>(9,994)</b>	<b>(1,605)</b>	<b>(20,797)</b>
<b>Net book amounts</b>							
At 31 March 2019	8,621	23,834	124	542	3,612	2,467	39,200
At 31 March 2018	8,705	24,689	33	571	3,177	695	37,870

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.

Notwithstanding Covid-19, the directors believe that there have not been any material changes in circumstances that would lead to a significant reduction in the market valuation of Southon House from £10.2m, given that the 30 September 2015 RICS valuation was undertaken when the property was vacant, whereas the property is now fully let with a rental income of over £1.0m per annum. Furthermore, a DCF analysis was undertaken using comparative office space rental yields of 6-7%. The resulting valuation of Southon House was in the range of £14.3-£16.7m. A sensitivity analysis showed that the property could be vacant for 4-5 years until it was fully re-let before its market value fell below £10.0m.

## 6. Intangible assets

Group	Energy Supply Contract £'000	IT Software & Web Development £'000	Total £'000
<b>Cost</b>			
At 1 April 2019	224,563	13,404	237,967
Additions	-	7,409	7,409
<b>At 31 March 2020</b>	<b>224,563</b>	<b>20,813</b>	<b>245,376</b>
<b>Amortisation</b>			
At 1 April 2019	(59,883)	(4,429)	(64,312)
Charge for the period	(11,228)	(2,117)	(13,345)
<b>At 31 March 2020</b>	<b>(71,111)</b>	<b>(6,546)</b>	<b>(77,657)</b>
<b>Net book amounts</b>			
At 31 March 2020	153,452	14,267	167,719
At 31 March 2019	164,680	8,975	173,655

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 2020 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 2020, which included an assessment of the impact of Covid-19, indicated that no impairment was necessary. No reasonably possible change in the assumptions used in the impairment calculation would give rise to an impairment of intangible assets.

The IT Software and Web Development intangible asset relates to the capitalisation of certain costs associated with the development of new IT and web systems. Approximately £6.1 million (2019: £4.8m) 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

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### 7. Goodwill

Group 2020	Total £'000
<b>Cost</b>	
At 1 April 2019 and 31 March 2020	6,140
<b>Impairment</b>	
At 1 April 2019 and 31 March 2020	816
<b>Carrying amounts</b>	
At 31 March 2020	5,324

Group 2019	Total £'000
<b>Cost</b>	
At 1 April 2018	4,558
Additions	1,582
At 31 March 2019	6,140
<b>Impairment</b>	
At 1 April 2018 and 31 March 2019	816
<b>Carrying amounts</b>	
At 31 March 2019	5,324
At 31 March 2018	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 2020, which included an assessment of the impact of Covid-19, 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. A growth rate of 2.0% (2019: 2.0%) into perpetuity was also used. The result of the review undertaken at 31 March 2020 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. A growth rate of 2.0% (2019: 2.0%) into perpetuity was also used. The result of the review undertaken at 31 March 2020 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.

## 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 2020 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 (2019: £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. UW Home Services owns 100% of the share capital of Central Homes & Facilities Management Limited, a non-trading dormant company.

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.

As at 31 March 2020, Utility Warehouse Limited also owned 100% of the ordinary share capital of eight dormant non-trading subsidiaries as listed below:

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

As at 31 March 2020, TML owned 100% of the ordinary share capital of the following eight dormant non-trading subsidiaries:

1p Mobile Limited	Penny Telecom Limited
One Penny Telecoms Limited	One Penny Broadband Limited
Penny Mobile Limited	Penny Broadband Limited
One Penny Mobile Limited	1p Broadband 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

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### 9. Deferred tax

Deferred tax recognised in the financial statements is as follows:

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Tax effect of temporary differences:</b>				
Accelerated capital allowances	(1,563)	(1,280)	-	-
Other short term temporary differences	58	14	-	-
Employee benefits expected in excess of amount vested	429	1,331	-	-
Transfers from acquisitions	(28)	(28)	-	-
	(1,104)	37	-	-

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
At 1 April	37	(635)	-	-
Charged to the Statement of Comprehensive Income	(1,016)	518	-	-
Taken to equity	(125)	182	-	-
Transfers from acquisitions	-	(28)	-	-
At 31 March	(1,104)	37	-	-

### 10. Other non-current assets

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Hire purchase agreements receivable	3,747	3,818	-	-
Finance lease assets	7,198	2,591	-	-
Loan to JSOP Share Trust	-	-	2,275	2,275
Trade receivables	10,196	8,248	-	-
Other non-current receivables	4,044	4,358	681	681
Deferred tax	-	37	-	-
Total other non-current assets	25,185	19,052	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. Finance lease assets represent assets where the Company is the lessor.



## 11. Receivables and accrued income

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade and other receivables	55,819	47,081	22	59
Hire purchase agreements receivable	1,193	1,369	-	-
Current tax receivable	706	-	-	-
Trade and other receivables	57,718	48,450	22	59
Accrued income	120,285	108,961	-	-
Prepayments	11,985	10,229	71	29
Prepayments and accrued income	132,270	119,190	71	29
Trade and other receivables	57,718	48,450	22	59
Accrued income	120,285	108,961	-	-
Receivables and accrued income (net)	178,003	157,411	22	59

Gross accrued income of £121,488,000 (2019: £110,109,000) includes March revenue invoiced in April of £69,193,000 (2019: £63,360,000), unbilled energy debtors of £52,280,000 (2019: £46,719,000) and accrued income relating to property of £15,000 (2019: £30,000). Offset against this figure is an allowance for bad debts of £1,203,000 (2019: £1,148,000), which is included in the allowance for credit losses of £20,964,000 (2019: £19,679,000).

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	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Allowances as at 1 April	19,679	19,308	-	-
Additions – charged to Statement of Comprehensive Income	10,444	8,136	-	-
Allowances used on fully written down receivables	(9,159)	(7,765)	-	-
Allowances as at 31 March	20,964	19,679	-	-
Receivables and accrued income (gross)	198,967	177,090	22	59
Allowance for credit losses	(20,964)	(19,679)	-	-
Receivables and accrued income (net)	178,003	157,411	22	59

At 31 March 2020 and 31 March 2019 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,

# Notes to the Consolidated Financial Statements

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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

### Bank loans

Group and Company	2020 £'000	2019 £'000
As at 1 April	60,000	40,000
Drawdown of bank loans	145,000	20,000
Repayment of bank loans	(110,000)	-
As at 31 March	95,000	60,000
<b>Arrangement fees</b>		
As at 1 April	(402)	(631)
Additions	(1,069)	-
Amortisation	491	229
As at 31 March	(980)	(402)
	<b>94,020</b>	<b>59,598</b>
Due within one year	-	-
Due after one year	95,000	60,000
	<b>95,000</b>	<b>60,000</b>

In January 2020 the Group entered into new three-year, with an option (subject to bank consent) to extend for up to a further two years, £150,000,000 revolving debt facilities with Barclays Bank PLC, Lloyds Bank PLC and Bank of Ireland Group PLC ('the new Revolving Debt Facilities').

The new Revolving Debt Facilities, when drawn down, are stated net of unamortised arrangement fees of £980,000 (2019: £402,000) on the face of the Balance sheet. These costs have been capitalised and are being amortised over the term of the new Revolving Debt Facilities. The

remaining unamortised arrangement fees of £229,000 associated with the previous debt facilities were fully written down during the period.

In addition, as at 31 March 2020 the Group had letters of credit in place relating to certain energy distribution charges with a total value covered of £16,720,500 (2019: £16,130,500).

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

## Maturity analysis

Group and Company	2020 £'000	2019 £'000
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	99,277	-
	<b>99,277</b>	<b>61,722</b>

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

## Lease liabilities

Group	2020 £'000	2019 £'000
As at 1 April	1,616	-
New finance leases	4,459	1,557
Transfers from acquisitions	-	242
Additions due to implementation of IFRS 16	3,842	-
Payment of lease liabilities	(1,118)	(186)
Interest relating to lease liabilities	170	3
<b>As at 31 March</b>	<b>8,969</b>	<b>1,616</b>

## Maturity analysis

Group	2020 £'000	2019 £'000
Due in one year or less	1,430	292
Due in more than one year but not more than two years	6,780	1,324
Due in more than two years but not more than five years	1,059	-
	<b>9,269</b>	<b>1,616</b>

The analysis of maturity above shows the contractual undiscounted cashflows associated with lease liabilities. There are no lease liabilities in the Company.

## 13. Trade and other payables

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Current</b>				
Trade payables	26,150	24,979	-	57
Inter-company payables	-	-	67,348	76,197
Other taxation and social security	9,141	6,085	-	-
	<b>35,291</b>	<b>31,064</b>	<b>67,348</b>	<b>76,254</b>

All trade payables are due within one year.

# Notes to the Consolidated Financial Statements

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### 14. Accrued expenses and deferred income

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Accrued expenses	119,927	109,863	65	-
Deferred income	1,396	1,523	-	-
	121,323	111,386	65	-

All accrued expenses are payable within one year.

### 15. Capital and reserves

#### Issued share capital

	2020		2019	
	Number ( <sup>'000</sup> )	£'000	Number ( <sup>'000</sup> )	£'000
Authorised ordinary shares of 5p each in the Company	160,000	8,000	160,000	8,000
<b>Allotted, called up and fully paid ordinary share capital:</b>				
At 1 April	78,837	3,942	78,461	3,923
Issue of new ordinary shares	233	12	376	19
At 31 March	79,070	3,954	78,837	3,942
Authorised 'B' shares of 2p each in subsidiary	650	13	650	13
<b>Allotted and fully paid 'B' share capital:</b>				
At 1 April	405	8	325	7
Issue of new 'B' shares	-	-	80	1
At 31 March	405	8	405	8
<b>Total Group share capital at 31 March</b>		<b>3,962</b>		<b>3,950</b>

At the year end the Company's share price was 1,242p and the range during the financial year was 981p to 1,552p.

At 31 March 2020, the Company had 79,070,025 (2019: 78,837,060) shares in issue. The total number of voting rights of 5p ordinary shares in the Company was 78,587,749 (2019: 78,354,784), excluding shares held in treasury. Since the year end, a further 20,716 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 78,608,465.

As at 31 March 2020 there were 482,276 ordinary shares held in treasury (2019: 482,276). 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 78,587,749. The JSOP reserve in the Group accounts represents ordinary shares in the Company held by the JSOP Share Trust.

As at 31 March 2020, the total 'B' share capital in Utility Warehouse Limited was £8,090 (2019: £8,090) and therefore the total Group share capital is £3,962,000 (2019: £3,950,000).

## 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 2020 was £222.0 million (2019: £225.1 million).

The Group's current capital management strategy is to retain sufficient working capital for day to day operating

requirements. The Group's capital management strategy is also to ensure that interest costs are minimised. Under the Group's energy supply arrangements, npower is 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

	2020 £'000	2019 £'000
Prior year final paid 27p (2019: 26p) per share	21,100	20,257
Interim paid 27p (2019: 25p) per share	21,114	19,482

The Directors have proposed a final dividend of 30p per ordinary share totalling approximately £23.6 million, payable on 31 July 2020, to shareholders on the register at the close of business on 10 July 2020. In accordance

with the Group's accounting policies the dividend has not been included as a liability as at 31 March 2020. This dividend will be subject to income tax at each recipient's individual marginal income tax rate.

## 16. Earnings per share

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

	2020 £'000	2019 £'000
Earnings for the purpose of basic and diluted EPS	35,911	33,103
Share incentive scheme charges (net of tax)	1,203	1,649
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	48,342	45,980

	Number ( '000s)	Number ( '000s)
Weighted average number of ordinary shares for the purpose of basic EPS	78,205	77,975
Effect of dilutive potential ordinary shares (share incentive awards)	401	335
Weighted average number of ordinary shares for the purpose of diluted EPS	78,606	78,310
Adjusted basic EPS <sup>1</sup>	61.8p	59.0p
Basic EPS	45.9p	42.5p
Adjusted basic EPS <sup>1</sup>	61.5p	58.7p
Diluted EPS	45.7p	42.3p

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

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### 17. Commitments

#### Capital commitments

At 31 March 2020 the Company had no significant capital commitments (2019: £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 £170 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 £170 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.

### 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:

	2020		2019	
	Number	Weighted average exercise price	Number	Weighted average exercise price
At 1 April	1,984,194	1,022p	2,181,066	963p
Options granted	779,589	1,359p	460,143	1,156p
Options exercised	(237,520)	946p	(464,166)	825p
Options lapsed/expired	(258,382)	1,199p	(192,849)	1,122p
At 31 March	2,267,881	1,125p	1,984,194	1,022p

The weighted average share price at the date of exercise for the options exercised during the year was 1,455.4p (2019: 1,332.7p).

During the current year ended 31 March 2020 and prior year ended 31 March 2019, the Group issued share options to employees on the occasions set out below. No share options were issued to distributors during these periods.

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)
<b>2017 Employee Share Option Plan</b>							
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
25/07/2019	1,350	1,342	27.14	10	0.95	4.25	200
16/12/2019	1,522	1,383	28.97	10	0.34	4.12	217
<b>2015 Employee SAYE Share Option Plan</b>							
23/08/2018	1,056	1,042	31.96	3.5	0.95	4.99	162
21/08/2019	1,216	1,349	27.23	3.5	0.95	4.23	185

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

## continued

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

	Number 1 April 2019	Number 31 March 2020	Exercise price per share	Exercisable from	Expiry date
<b>2007 Employee Share Option Plan</b>					
26 Jun 2009	600	-	278p	26 Jun 2012	25 Jun 2019
9 Dec 2009	3,000	-	305p	9 Dec 2012	8 Dec 2019
5 Jul 2010	2,000	-	338p	5 Jul 2013	3 Jul 2020
17 Dec 2010	5,550	1,050	442p	17 Dec 2013	16 Dec 2020
14 Jun 2011	27,125	25,500	603p	14 Jun 2014	11 Jun 2021
15 Dec 2011	13,870	6,920	774p	15 Dec 2014	14 Dec 2021
26 Jun 2012	58,054	34,000	828p	26 Jun 2015	25 Jun 2022
10 Dec 2012	23,100	19,100	878p	10 Dec 2015	9 Dec 2022
17 Jun 2013	17,647	11,947	1,219p	17 Jun 2016	16 Jun 2023
16 Dec 2013	6,500	6,500	1,739p	16 Dec 2016	15 Dec 2023
1 Jul 2014	6,950	4,950	1,337p	1 Jul 2017	30 Jun 2024
16 Dec 2014	7,850	2,850	1,254p	16 Dec 2017	15 Dec 2024
13 Jul 2015	357,230	312,030	985p	13 Jul 2018	12 Jul 2025
10 Dec 2015	37,392	14,800	1,074p	10 Dec 2018	9 Dec 2025
22 Jul 2016	288,000	228,264	1,047p	22 Jul 2019	21 Jul 2026
8 Dec 2016	125,370	99,820	1,209p	8 Dec 2019	7 Dec 2026
20 Jul 2017	159,250	138,750	1,117p	20 Jul 2020	19 Jul 2027
<b>2017 Employee Share Option Plan</b>					
12 Dec 2017	164,500	120,000	1,181p	12 Dec 2020	11 Dec 2027
26 Jul 2018	225,050	177,000	1,057p	26 Jul 2021	25 Jul 2028
13 Dec 2018	142,500	105,000	1,370p	13 Dec 2021	12 Dec 2028
25 Jul 2019	-	385,200	1,342p	25 Jul 2022	24 Jul 2029
16 Dec 2019	-	287,200	1,383p	16 Dec 2022	15 Dec 2029
<b>2015 Employee SAYE Share Option Plan</b>					
25 Sep 2015	6,530	-	1,058p	1 Nov 2018	30 Apr 2019
15 Aug 2016	8,988	1,519	1,042p	1 Nov 2019	30 Apr 2020
14 Aug 2017	15,491	10,756	1,128p	1 Nov 2020	30 Apr 2021
23 Aug 2018	40,343	33,438	1,042p	1 Nov 2021	30 Apr 2022
21 Aug 2019	-	32,634	1,349p	1 Nov 2022	30 Apr 2023
<b>Total employees</b>	<b>1,742,890</b>	<b>2,059,228</b>			
<b>Weighted average exercise price</b>	<b>1,077.4p</b>	<b>1,174.9p</b>			



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

	Number 1 April 2019	Number 31 March 2020	Exercise price per share	Exercisable from	Expiry date
<b>2007 Networkers and Consultants Share Option Plan</b>					
26 Jun 2009	3,000	-	278p	26 Jun 2012	25 Jun 2019
9 Dec 2009	4,000	-	305p	9 Dec 2012	8 Dec 2019
5 Jul 2010	107,556	93,791	338p	5 Jul 2013	3 Jul 2020
17 Dec 2010	5,498	5,362	442p	17 Dec 2013	16 Dec 2020
14 Jun 2011	2,000	2,000	603p	14 Jun 2014	11 Jun 2021
15 Dec 2011	6,000	6,000	774p	15 Dec 2014	14 Dec 2021
1 Jun 2012	33,000	26,000	721p	1 Jun 2015	31 May 2022
26 Jun 2012	6,000	6,000	828p	26 Jun 2015	25 Jun 2022
20 Nov 2012	18,000	17,000	854.5p	20 Nov 2015	19 Nov 2022
10 Dec 2012	1,000	1,000	878p	10 Dec 2015	9 Dec 2022
17 Jun 2013	4,000	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	4,500	1,254p	16 Dec 2017	15 Dec 2024
13 Jul 2015	24,350	23,600	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	6,000	1,047p	22 Jul 2019	21 Jul 2026
20 Jul 2017	2,000	2,000	1,117p	20 Jul 2020	19 Jul 2027
<b>Total distributors</b>	<b>241,304</b>	<b>208,653</b>			
<b>Weighted average exercise price</b>	<b>637.5p</b>	<b>656.5p</b>			

At 31 March 2020, a total of 975,903 share options were exercisable (2019: 806,903) at a weighted average exercise price of 944.2p (2019: 862.7p). The average remaining contractual life of the outstanding options was 8.5 years (2019: 6.7 years).

### 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 46,500 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.

No further awards will be made under the LTIP 2016.

# Notes to the Consolidated Financial Statements

## continued

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:

<b>B1 shares – April 2017</b>	<b>Tranche 1</b>	<b>Tranche 2</b>	<b>Tranche 3</b>	<b>Tranche 4</b>
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

<b>Key assumptions</b>				
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%

<b>B2 shares – July 2018</b>	<b>Tranche 1</b>	<b>Tranche 2</b>	<b>Tranche 3</b>	<b>Tranche 4</b>
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

<b>Key assumptions</b>				
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%

## 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 £244,665,000 (2019: £199,005,000) and for the Company of £3,866,000 (2019: £3,307,000).

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 £241,181,000 (2019: £199,831,000) and for the Company £67,415,000 (2019: £76,264,000).

### Credit risk

All customers are invoiced monthly and approximately 90% pay by direct debit; accordingly credit risk in respect of trade receivables is considered relatively 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 £244,665,000 (2019: £199,005,000) and for the Company £3,866,000 (2019: £3,307,000).

# Notes to the Consolidated Financial Statements

## continued

### Interest rate risk

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

The Group's profit and equity for the current year will not be significantly affected by changes in the UK base rate of +/- 1% from current levels.

### Commodity price risk

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

### Liquidity risk

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

### Foreign currency risk

The Group does not have any significant foreign currency exposure.

### Interest rate and currency profile of financial assets and liabilities

All financial assets and liabilities are denominated in Sterling. Receivables due after one year include £4,115,000 (2019: £4,088,000) due mainly from distributors elements of which earn interest at varying rates above Base Rate.

### Borrowing facilities

At 31 March 2020, the Group had total revolving credit facilities of £150,000,000 (2019: £150,000,000). These facilities are available to the Group until 17 January 2023, with an option (subject to bank consent) to extend for up to a further two years. As at 31 March 2020 £95,000,000 of the facilities was drawn down (2019: £60,000,000 drawn down). As at 31 March 2020 the Group also had letters of credit in place relating to certain energy distribution charges with a total value covered of £16,720,500 (2019: £16,130,500).

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

### Fair values

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

## 20. Related parties

### Identity of related parties

The Company has related party relationships with its subsidiaries (see note 8) and with its directors and executive officers. Related party transactions are conducted on an arm's length basis.

### Transactions with key management personnel

Directors of the Company and their immediate relatives control approximately 23.8% 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:

	2020 £'000	2019 £'000
Short-term employee benefits	1,765	1,729
Social security costs	233	228
Post-employment benefits	20	20
	<b>2,018</b>	1,977
Share incentive scheme charges	56	86
	<b>2,074</b>	2,063

During the year, the Group acquired goods and services worth £367 (2019: £25,000) from companies in which directors have a beneficial interest. No amounts were owed to these companies by the Group as at 31 March 2020. During the year, the Group sold goods and services worth £Nil (2019: £Nil) to companies in which directors have a beneficial interest.

During the year directors purchased goods and services on behalf of the Group worth approximately £835,000 (2019: £755,000). The directors were fully reimbursed for the purchases and no amounts were owing to the directors by the Group as at 31 March 2020. During the year the directors purchased goods and services from the Group worth approximately £29,000 (2019: £29,000) and persons closely connected with the directors earned commissions as Partners for the Group of approximately £7,000 (2019: £10,000).

### Other related party transactions

#### Subsidiary companies

During the year ended 31 March 2020, the Company purchased goods and services from the subsidiaries in the amount of £102,000 (2019: £171,000 purchased by the Company from the subsidiaries). During the year ended 31 March 2020 the Company also received distributions from subsidiaries of £50,000,000 (2019: £30,000,000). At 31 March 2020 the Company owed the subsidiaries £67,348,000 which is recognised within trade payables (2019: £76,197,000 owed by the Company to the subsidiaries).

# Notes to the Consolidated Financial Statements

## continued

### 21. Financial reporting standards applied for the first time in current year

#### Background

IFRS 16 (Leases) was applied for the first time as of 1 April 2019. The effects resulting from the first-time application are detailed in this section. Details of the nature of the expected impact of IFRS 16 was set out on pages 103 to 104 of the Company's Annual Report for the year ended 31 March 2019.

The Company has decided to apply IFRS 16 in modified form retrospectively for the first time as at 1 April 2019, 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 effect that the first-time application of IFRS 16 had on retained earnings and other comprehensive income in the statement of comprehensive income in the current period are detailed in the tables below.

#### Retained earnings reconciliation IFRS 16

	£'000	£'000
<b>Retained earnings as at 31 March 2019</b>		<b>86,230</b>
<b>Effects of IFRS 16</b>		<b>(26)</b>
of which increase in accumulated depreciation costs	(330)	
of which increase in accumulated interest costs	(59)	
of which decrease in accumulated property lease rental costs	363	
<b>Retained earnings as at 1 April 2019</b>		<b>86,204</b>

### Impact of IFRS 16 on the Balance Sheet as at 31 March 2020

	As at 31 March 2020 Before accounting changes £'000	Changes in recognition £'000	As at 31 March 2020 After accounting changes £'000
Property, plant and equipment	34,393	3,374	37,767
Lease liabilities	(5,539)	(3,430)	(8,969)
Retained earnings	81,124	(56)	81,068

### Impact of IFRS 16 on the Statement of Comprehensive Income for the year ended 31 March 2020

	Year ended 31 March 2020 Before accounting changes £'000	Changes in recognition £'000	Year ended 31 March 2020 After accounting changes £'000
Depreciation	(3,700)	(442)	(4,142)
Interest costs	(2,263)	(73)	(2,336)
Property lease rental costs	(485)	485	-

### Reconciliation of finance lease liabilities to operating lease commitments

A reconciliation of the operating lease commitments as at 31 March 2019 set out in note 17 of the Annual Report 2019 to the opening finance lease liabilities under IFRS 16 as at 1 April 2019 is set out below:

	£'000	£'000
Operating lease commitments as at 31 March 2019		3,938
Effects of IFRS 16		(96)
of which discounting	(447)	
of which other adjustments	351	
Lease liabilities under IFRS 16 as at 1 April 2019		3,842

### Summary of accounting policy changes – IFRS 16

The adoption of IFRS 16 has resulted in several operating leases relating to property being recognised on the balance sheet, as the distinction between operating and finance leases has been removed.

The Group has recognised 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 have been valued as equal to lease liabilities. The lease term has been calculated as

the non-cancellable period of the lease contract, except where the Group is reasonably certain that it will exercise contractual extension options. When measuring the lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate of 2.0%. Operating lease expenses have been 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 has been used.

As permitted by IFRS 16, the Group has adopted the following practical expedients on transition:

- Not to reassess contracts to determine if the contract contains a lease and not to separate lease and non-lease elements.
- Lease payments for contracts with a duration of 12 months or less and/or contracts for which the underlying asset is of low value have, where appropriate, continued to be expensed to the income statement on a straight-line basis over the lease term.
- To apply the portfolio approach where a group of leases has similar characteristics.

The Group has adopted IFRS 16 using the modified retrospective approach. Consequently, comparatives for the period ended 31 March 2019 have not been restated.

# Shareholder Information





**Telecom Plus Plc is a public listed company incorporated and domiciled in the United Kingdom. It has a primary listing on the London Stock Exchange.**

### **Corporate website**

The Company's corporate website [uw.co.uk/investors](http://uw.co.uk/investors) provides shareholders with financial and governance information.

### **Registrar**

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### **Company Secretary**

David Baxter  
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