



Telecom Plus Plc

Final Results

Year Ended 31 March 2020

Introduction

Telecom Plus Plc - Final Results for the year ended 31 March 2020

Telecom Plus Plc (trading as Utility Warehouse), which supplies a wide range of utility services focussed on domestic customers, today announces its final results for the year ended 31 March 2020.

Financial highlights:

- Results in line with expectations
- Revenue up 8.9% to £875.8m
- Adjusted profit before tax up 8.0% to £60.8m
- Statutory profit before tax up 11.9% to £48.1m
- Adjusted EPS up 4.7% to 61.8p
- Statutory EPS up 8.0% to 45.9p
- Full year dividend up 9.6% to 57p per share
- New £150m debt facilities agreed until January 2023

Operating highlights:

- 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

Andrew Lindsay, CEO, commented:

“Our results this morning show record sales, earnings and dividends, clearly demonstrating the resilience and strength of our business model. I am extremely pleased at how well our Partners and Employees have adapted to the Covid-19 environment, and the limited impact which this is having on our business.

“We have historically demonstrated strong counter-cyclical qualities, with the opportunity for our Partners to earn money, and for our Members to save money, becoming increasingly relevant during challenging economic periods. This dynamic is driving a healthy recovery in Partner activity despite social distancing restrictions, as they become increasingly comfortable with new ways of building their businesses, and growth has recently started returning towards pre-lockdown levels.

“The strength of our balance sheet is in contrast to most of our competitors in the energy markets. This, combined with a highly motivated and growing Partner network, and a significant fall in the Ofgem price cap expected this autumn, means that we look forward to the year ahead with considerable confidence.”

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

For more information please contact:

Telecom Plus Plc

Andrew Lindsay, CEO / Nick Schoenfeld, CFO 020 8955 5000

Peel Hunt

Dan Webster / George Sellar 020 7418 8900

Numis

Mark Lander / Simon Willis 020 7260 1000

MHP Communications

Reg Hoare / Catherine Chapman / Amy O’Sullivan 020 3128 8778

About Telecom Plus Plc (“Telecom Plus”):

Telecom Plus, which owns and operates the Utility Warehouse brand, is the UK’s only fully integrated provider of a wide range of competitively priced utility services spanning the Communications, Energy and Insurance markets.

Members benefit from the convenience of a single monthly statement, consistently good value across all their utilities and exceptional levels of service. Telecom Plus does not advertise, relying instead on ‘word of mouth’ recommendation by existing satisfied Members and Partners in order to grow its market share.

Telecom Plus is listed on the London Stock Exchange (Ticker: TEP LN). For further information please visit uw.co.uk

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 in the Annual Report.

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 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.

There are no other matters to disclose in relation to these appointments under LR 9.6.13.

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.

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

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
Total	652,237	635,039

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	
Q1 FY18	50.9%
Q2 FY18	48.3%
Q3 FY18	48.6%
Q4 FY18	53.2%
Q1 FY19	55.3%
Q2 FY19	57.0%
Q3 FY19	57.6%
Q4 FY19	55.4%
Q1 FY20	59.0%
Q2 FY20	63.4%
Q3 FY20	60.9%
Q4 FY20	60.4%

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.

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

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.

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 ("Smets2") 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

Core Services	Adjusted			Statutory		
	2020	2019	Change	2020	2019	Change
Revenue	£875.8m	£804.4m	8.9%	£875.8m	£804.4	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 2. As set out in note 5, 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:

Revenue £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
Total	855.5	784.9

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 Member's 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 above) 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.

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 in the Annual Report. 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.

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.

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.

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.

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)
Gross profit		167,697	149,564
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
Operating profit	1	50,168	44,313
Financial income		280	206
Financial expenses		(2,336)	(1,520)
Net financial expense		(2,056)	(1,314)
Profit before taxation		48,112	42,999
Taxation		(12,352)	(10,174)
Profit for period		35,760	32,825
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)
Profit for the period		35,760	32,825
Basic earnings per share	2	45.9p	42.5p
Diluted earnings per share	2	45.7p	42.3p

Consolidated Balance Sheet

As at 31 March 2020

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

Consolidated Cash Flow Statement

For the year ended 31 March 2020

Operating activities	2020 £'000	2019 £'000
Profit before taxation	48,112	42,999
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)
Increase/(decrease) in trade and other payables	14,410	(23,457)
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)
Net cash flow from operating activities	39,019	27,469
Investing activities		
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
Purchase of shares in subsidiaries acquired (net of cash acquired)	-	(709)
Interest received	295	167
Cash flow from investing activities	(9,937)	(8,086)
Financing activities		
Dividends paid	(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
Purchase of own shares	-	(4,742)
Cash flow from financing activities	(9,637)	(23,368)
Increase/(decrease) in cash and cash equivalents	19,445	(3,985)
Net cash and cash equivalents at the beginning of the year	24,166	28,151
Net cash and cash equivalents at the year end	43,611	24,166

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	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
Profit and total comprehensive income	-	-	-	-	-	33,103	(278)	32,825
Dividends	-	-	-	-	-	(39,739)	-	(39,739)
Credit arising on share options	-	-	-	-	-	1,783	-	1,783
Deferred tax on share options	-	-	-	-	-	182	-	182
Issue of new ordinary shares	19	2,677	-	-	-	-	-	2,696
Issue of B shares in subsidiary	1	-	-	-	-	-	-	1
Purchase of cancelled shares	-	-	-	(4,742)	-	-	-	(4,742)
Balance at 31 March 2019	3,950	141,732	107	(5,502)	(1,150)	86,230	(278)	225,089
Balance at 1 April 2019	3,950	141,732	107	(5,502)	(1,150)	86,230	(278)	225,089
Opening balance adjustments	-	-	-	-	-	(26)	-	(26)
Revised opening balances	3,950	141,732	107	(5,502)	(1,150)	86,204	(278)	225,063
Profit and total comprehensive income	-	-	-	-	-	35,911	(151)	35,760
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
Balance at 31 March 2020	3,962	143,896	107	(5,502)	(1,150)	81,068	(429)	221,952

Notes

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 £'000	Customer Acquisition £'000	Total £'000	Customer Management £'000	Customer Acquisition £'000	Total £'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
Customer Management		
- 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
Total	855,529	784,973
Customer Acquisition	20,245	19,465
Total	875,774	804,438

The Group operates solely in the United Kingdom.

2. 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
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 ¹	61.8p	59.0p
Basic EPS	45.9p	42.5p
Adjusted diluted EPS ¹	61.5p	58.7p
Diluted EPS	45.7p	42.3p

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

It has been deemed appropriate to present the analysis of adjusted EPS excluding share incentive scheme charges due to the relative size and historical volatility of the charges. In view of the size and nature of the charge as a non-cash item the amortisation of

intangible assets arising from the energy supply agreement with npower has also been adjusted.

3. 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.

4. Related parties

Identity of related parties

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

Transactions with key management personnel

Directors of the Company and their immediate relatives control approximately 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 in the Annual 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
Total	2,018	1,977
Share incentive scheme charges	56	86
Total	2,074	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).

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).

5. 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
Retained earnings as at 31 March 2019		86,230
Effects of IFRS 16		(26)
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	
Retained earnings as at 1 April 2019		86,204

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

	As at 31 March 2020 Before accounting changes	Changes in recognition	As at 31 March 2020 After accounting changes
	£'000	£'000	£'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	Changes in recognition	Year ended 31 March 2020
	Before accounting changes £'000	£'000	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 a 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.

6. Basis of preparation

The financial information set out above does not constitute the Group's statutory information for the years ended 31 March 2020 or 2019, but is derived from those accounts. The Group's consolidated financial information has been prepared in accordance with accounting policies consistent with those adopted for the year ended 31 March 2019. Statutory accounts for 2019 have been delivered to the Registrar of Companies and those for 2020 will be delivered following the Company's annual general meeting. The auditor has reported on these accounts, their reports were unqualified and did not contain statements under the Companies Act 2006, s498(2) or (3).

7. Directors' responsibility statement

The directors confirm, to the best of their knowledge:

- (a) the financial statements, prepared in accordance with International Financial Reporting Statements ("IFRSs") as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and
- (b) the Chairman's Statement, Chief Executive's Review, Financial Review and Principal Risks and Uncertainties include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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

Charles Wigoder – Executive Chairman

Julian Schild – Deputy Chairman and Senior Non Executive Director

Andrew Lindsay – Chief Executive Officer

Nick Schoenfeld – Chief Financial Officer

Andrew Blowers – Non Executive Director

Beatrice Hollond – Non Executive Director

Melvin Lawson – Non Executive Director

By order of the Board
