

REPORT AND ACCOUNTS
YEAR ENDED 31 MARCH 2017



HOME PHONE



BROADBAND



MOBILE



GAS



ELECTRICITY



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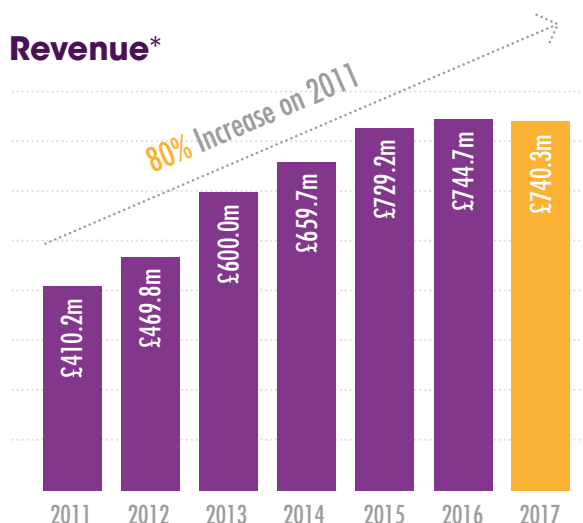
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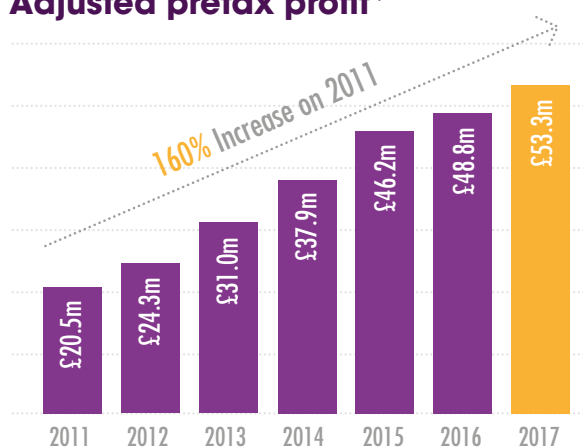
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FINANCIAL AND OPERATING HIGHLIGHTS

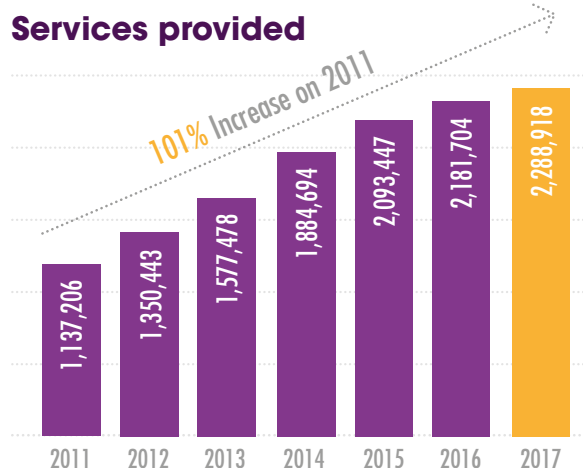
Revenue*



Adjusted pretax profit*



Services provided



- Revenue down 0.6% to £740.3 million due to lower energy prices
- £71.1m proceeds from sale of Opus shareholding
- Adjusted pre-tax profit (continuing operations)* up 9.1% to £53.3 million
- Statutory pre-tax profit (continuing operations) up 16.5% to £40.9 million
- Adjusted EPS (continuing operations)* up 7.2% to 53.3p
- Statutory EPS (continuing operations) up 15.9% to 38.0p
- Full year dividend up 4.3% to 48p
- Further organic growth in both services and Members
- Service numbers increase by 4.9% to 2.3 million
- Over 600,000 Members
- Encouraging launch of Home Insurance
- Over 1.7m LED bulbs provided and installed free of charge in over 40,000 households throughout the UK
- Which? 2017 Best Telecom Services Provider Award

*Financial years 2011 – 2014 are restated. Adjusted pre-tax profit and EPS exclude share incentive scheme charges and the amortisation of intangible assets. FY17 adjusted pre-tax profit (£53.3m) and EPS exclude share incentive scheme charges (£1.2m), amortisation of the energy supply contract intangible asset (£11.2m), and any contribution from the Company's former 20% shareholding in Opus Energy Group Limited ('Opus') which was sold in February 2017, as a discontinued operation, and for ease of comparability, the contribution from Opus has therefore been excluded from profit before tax and EPS for FY17 and historic accounting periods.

OUR VALUES AND SERVICES

FIXED TELEPHONY

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



BROADBAND

A choice of high-quality broadband services offering great value, fast speeds and outstanding technical support, for the vast majority of domestic internet users.



INSURANCE

We have recently started providing a branded home insurance service to Members, offering competitive pricing and the convenience of paying their premiums monthly at no extra charge alongside all the utility services we are providing to them.



CASHBACK CARD

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

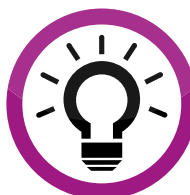
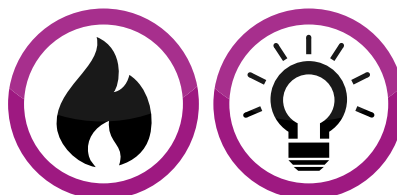


ONE MONTHLY BILL



ONLINE SHOPPING

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



GAS AND ELECTRICITY

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



MOBILE

With a wide choice of handsets and competitive price plans, our mobile phone service provides outstanding value and great savings. We also offer a unique 'budget control' option, a loyalty discount, free handset protection against loss or damage, and a range of other benefits.

OUR APPROACH

Our lowest prices and most attractive benefits are reserved for Members who switch all their services to us, with most new Members taking one of the following 'Gold' bundles:

'Double Gold': Energy, Broadband and Mobile

'Gold Energy': Energy and Broadband

'Gold Talk': Broadband and Mobile

Notes:

- (i) Where a customer uses both Gas and Electricity in their home (approximately 80% of UK households), then they will almost invariably switch both of these to us (i.e. Dual Fuel); otherwise, Energy will generally consist of Electricity alone.
- (ii) Broadband includes landline rental.
- (iii) Mobile consists of at least one connected mobile handset.

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

You're a
Member not
a number

Welcome to the Club

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

Guaranteed
value

Switch more, save more

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

Making life
simple

One bill, one contact

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

Exclusive
club benefits

CashBack card

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

Taking care
of you

5 star customer service

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

Trusted and
recommended

Which? 2017 Best Telecom Services Provider

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

CHAIRMAN'S STATEMENT

“ I am delighted to report another successful year for the Company with adjusted profits, earnings and dividends all reaching record levels. Looking at the figures from continuing operations, adjusted pre-tax profits increased by 9.1% to £53.3m (2016: £48.8m), and statutory pre-tax profits reached £40.9m (2016: £35.1m), on revenue down by 0.6% to £740.3m (2016: £744.7m); adjusted earnings per share for the year rose by 7.2% to 53.3p (2016: 49.7p), and statutory EPS increased to 38.0p (2016: 32.8p).

This performance was achieved in the face of challenging market conditions, with the strong headwinds we have seen over the last few years persisting during the first half of the year. And while the record gap between standard variable energy tariffs and aggressively priced introductory deals started to narrow during the autumn, this happened too late to provide any positive impact on our service and customer numbers for Q3.

As previously reported, we responded to this more favourable environment by making a change to our Partner compensation plan at the beginning of Q4; this gave Partners the opportunity to accelerate some of the residual income they would earn on new Members who switched all their utilities to us.

This enhancement, combined with our more competitive market position, led to an increase in Partner activity as we progressed through Q4, taking full year customer and service numbers to 607,802 (2016: 598,613) and 2,288,918 (2016: 2,181,704) respectively – an increase of more than 107,000 services during the year. Within this total, there has once again been a significant improvement in customer quality, with 102,126 (2016: 76,764) residential Members now taking all our core services (landline, broadband, mobile, gas and electricity).

We received a number of further endorsements from Which? during the year, recognising both the value we offer and the quality of service provided by our UK-based membership support teams. In addition to being ranked amongst the top suppliers for all our core services (Energy, Broadband/Telephony and Mobile) in each of their sector surveys, we received **Recommended Provider** awards for both our Broadband and Mobile services. Further to this, we were delighted to receive the accolade of **Best Telecom Services Provider** at the recent Which? 2017 Annual Awards ceremony. In addition, we received four awards from Moneywise, and were voted **UK National Public Champion** (and named as a finalist in the **Business of the Year** category for companies with a turnover of €150m or higher) in the European Business Awards. These third party independent endorsements are a testament to our customer-centric approach, our commitment to treating our members fairly, our ongoing mission to be the Nation's most trusted utility provider, and the significant resources invested in delivering the best possible customer service. ”

RESULTS OVERVIEW

Our adjusted profit from continuing operations (i.e. excluding the contribution from Opus) reflects the continuing modest organic growth over the last two years in the number of services we are providing to our Members, an increased proportion of revenues from higher margin telephony services, and a one-off recovery of costs incurred in prior years relating to the smart meter roll-out programme under our energy supply agreement, counterbalanced by recurring customer acquisition costs which were higher this year (primarily due to Daffodil), continued investment in headcount and increased spending on IT. We also generated an exceptional profit of £62.3m during the year from the sale of our 20% shareholding in Opus (see below), taking our total post-tax profit to £95.0m (2016: £31.8m).

Revenues fell slightly due to lower average energy prices (following an industry wide reduction in retail gas prices during the spring of 2016, and an increasing proportion of our customer base taking our cheapest 'Double Gold' tariffs), a reduction in average energy usage (reflecting the progressive impact of the energy efficiency measures that have been delivered by the industry over the last few years and the success of our own LED light bulb replacement service), partially offset by an increase in telephony revenues due to higher prices, more services, and a greater proportion of customers taking fibre broadband.

We received £71.1m in cash for our 20% stake in Opus Energy Group Limited ('Opus') following its acquisition by Drax Plc in February 2017; this transaction generated an exceptional profit of £62.3m which is included in our results for the year, alongside a contribution of £2.2m from our share of its profit up to the date of disposal.

Dividend

In line with previous guidance, we are proposing a final dividend of 25p (2016: 24p), bringing the total for the year to 48p (2016: 46p); this represents an increase of 4.3% compared with last year, and will be paid on 28 July 2017 to shareholders on the register at the close of business on 7 July 2017 subject to approval by shareholders at the Company's AGM which will be held on 20 July 2017. We remain committed to a progressive dividend policy consistent with the underlying strong cash generation of our business.

Proposed Share Buyback

We previously announced our intention to carry out a tender offer this summer, under which we would seek to return to shareholders the cash we received from the sale of our stake in Opus; we have now decided to reduce the maximum size of this tender offer to £25m.

This will provide greater flexibility for the Company to take advantage of the strategic opportunities that we expect to arise over the next few years, resulting from the rapidly changing political and regulatory environment for the services we supply.

Full details of the tender offer will be included with the AGM documents which will be sent to all shareholders shortly.

CHAIRMAN'S STATEMENT

CONTINUED

Churn

Our churn remains significantly below prevailing industry levels, and we are encouraged by the clear downward trend that has started to develop since last autumn. We attribute this to a combination of factors including a reduction in the gap between standard variable tariffs and introductory deals, increased investment by us in retention activities, and the steadily improving quality of our customer base. It is particularly encouraging that this has been achieved against an industry background which has seen record numbers of households switching their energy supplier over recent months.

Proposed Energy Price Cap

It is encouraging that both the major political parties included a commitment in their recent General Election manifestos to address one of the main issues within the energy industry, namely the practice by many large suppliers of using the higher margins earned on disengaged legacy customers to offer significantly cheaper deals which are only available to those who switch. If implemented, we believe these manifesto proposals will create a fairer energy market, with lower energy bills for millions of disengaged households who are currently paying more than they should, simply because (for whatever reason) they are not switching supplier on a regular basis.

In particular, we do not share the view widely expressed by some of the other large suppliers that a widespread cap on standard variable tariffs will be damaging to competition, as the wide choice of attractively priced tariffs from the vast majority of independent suppliers who do not exploit their customers in this way would remain available. Indeed, the only tariffs that might cease to be available will be the relatively small number which are being unfairly cross-subsidised by those who are shouting the loudest against this proposal.

In our view, the protection of disengaged consumers requires such an absolute cap to be retained over the medium term (albeit that it will need to be reviewed on a regular basis and set at a level which enables efficient suppliers not engaged in predatory pricing to earn a reasonable margin), or replaced in due course by a long-term relative price cap as suggested recently by John Penrose MP and endorsed by many independent suppliers.

BUSINESS DEVELOPMENT

We are encouraged by the results from the soft launch of our Home Insurance service. We anticipate volumes will start to improve from their current low levels as we start marketing this new service more pro-actively, and remain confident that Insurance has the potential to make a material contribution to the financial performance of the group in due course.

The downward trend in energy prices which has prevailed for over three years has started to reverse, with rising commodity prices being accompanied by higher regulatory, distribution and policy costs. This has led to higher retail prices for both standard variable tariffs and fixed price introductory deals, albeit that the gap between them has narrowed. Although undoubtedly positive for us, this gap still remains significantly wider than we would have liked, due partly to the continuing practice by some suppliers of simultaneously offering both an expensive Standard Variable Tariff ('SVT') and a cheap introductory fixed price deal, and also the decision by a number of new suppliers to price their energy at near zero gross margin in order to attract market share.

The energy market remains polarised between the 'Big 6', who are broadly maintaining or increasing profitability whilst losing customers, and a rapidly increasing number of independent suppliers at the other end of the spectrum, who are largely gaining market share but (almost without exception) incurring significant losses whilst doing so. All of these market participants are reliant on the same wholesale costs and use similar distribution channels (namely price comparison sites and bulk switching initiatives) to attract customers who generally choose their new supplier based predominantly on price and, in many cases, will switch again as soon as they reach the end of their introductory fixed-price period. And although new suppliers enjoy a significant initial cost advantage by being exempt from certain policy costs, these cease to apply as they gain scale. We find it difficult to understand how in the face of these market dynamics, this multitude of sub-scale competitors can develop a viable long-term business model.

Project Daffodil, our innovative free LED light bulb replacement service, has gathered momentum over the course of the year, and has now been provided in over 40,000 households. We are now installing free light bulbs in around 3,500 households each month; this is available to both new and existing Members who have switched their energy and telephony services to us. Daffodil reduces household electricity usage for the vast majority of Members receiving this benefit, which goes a long way towards narrowing the gap between our energy prices and the introductory tariffs available elsewhere; this has been a major factor behind the improvement in the quality of new Members joining the Club, as well as encouraging existing Members to add additional services in order to take advantage of this valuable benefit.

In March, we launched a number of films featuring Joanna Lumley as the new face of Utility Warehouse, explaining who we are and the benefits we provide to those looking to save money (by joining as a new Member) or make money (by becoming a Partner). These new tools were well received, and we have since seen an encouraging increase in the number of new Partners joining the business.

We have also taken steps to simplify our customer proposition, replacing the previous choice of benefits available to Double Gold Members with an extra 10% discount on the fixed monthly cost of their broadband (including landline rental) worth between £31.80 and £46.79 per year.

The mobile app we launched around 12 months ago has gained widespread acceptance, with around 65,000 Members using it each month to submit meter readings, top-up their mobile and/or CashBack card, track their mobile usage, and find their nearest CashBack retail outlets; further functionality will be added in due course, including being able to manage their insurance cover.

Our smart meter roll-out programme has been hampered by the persistent failure of one of our meter operators ("MOP") to meet their agreed service levels; in addition to slowing our rollout programme, this also affected our ability to install pre-payment meters in a significant part of the country during the second half of the year, leading to a temporary small rise in delinquency levels. Notwithstanding these challenges, we have now appointed a new MOP to take over this work, and successfully installed over 100,000 meters (around 10% of our current base).

We continue to increase our investment in IT and have completed a number of important IT projects during the year including strengthening our cyber-defences, PCI compliance, launching Home Insurance, and preparing for the mass rollout of smart metering.

CHAIRMAN'S STATEMENT

CONTINUED

By virtue of our unique route to market and focus on treating our Members fairly, we have found a balance which combines sustainable growth in both service numbers and profitability, thus creating real long term value for all our stakeholders. We remain focussed on growing our business to one million households (and beyond) over the medium term.

ROUTE TO MARKET

Significant numbers of new Partners continued to join the business during the year, with an improvement in both the quality and quantity of new recruits since our annual sales conference in March. At the year end we had 41,717 registered Partners; this was below the level we reported 12 months ago largely due to our decision last autumn to start providing automatic refunds to many of those who join the business, but find themselves unable (for whatever reason) to take advantage of the opportunity we offer to build an attractive and secure part-time additional income. These early automatic refunds, combined with the natural underlying level of cancellations we would normally expect to see after 12 months, led to a larger reduction in the total number of registered partners over the period than would otherwise have occurred.

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

We have invested in providing them with new tools to help them meet this challenge, including the new suite of films featuring Joanna Lumley, as well as continuing to improve the personal development and training programmes we make available, free of charge, to both new and existing Partners.

It is encouraging that despite the absence of 'loss leader' introductory deals for new Members, the combined impact of our improved training courses, effective Partner incentive structure, the unique multi-service proposition and attractive benefits we offer to our Members, means we are continuing to see a consistently high proportion of new Partners making a successful start to building their Utility Warehouse business.

BOARD CHANGES

We were delighted to welcome Andrew Blowers as a new independent non-executive director, who joined the Board in November. Andrew is currently a non-executive director of AA PLC, the UK's leading provider of roadside assistance, and of CETA Insurance Limited, a specialist online insurance provider. His career spans over 25 years in the UK financial services industry, including as founder and CEO of Swiftcover.com, Chairman of IIC NV, and an executive director of Churchill Insurance. He is already bringing a valuable new perspective to the Board.

As previously reported, Julian Schild, became Chairman of the Audit Committee following the retirement of Michael Pavia at last year's AGM. Andrew Blowers has replaced Julian as Chair of the Remuneration Committee, and Beatrice Hollond has become Chair of the Nomination Committee.

CORPORATE GOVERNANCE

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

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

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

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

OUTLOOK

Recent Trading

Our annual sales conference took place on 18/19 March 2017, and was attended by over 5,000 Partners. At the event, we announced the launch of our Home Insurance service to Members, the introduction of new films featuring Joanna Lumley, and a simplification to our 'Double Gold' bundle making it more competitive and easier to promote.

Since making these changes, the quality of new Members being gathered by Partners has remained exceptionally high, with over 50% switching all their services to us. The number of new Members is running slightly ahead of the levels we saw during the corresponding period last year, and we are also seeing encouraging numbers of new Partners joining the business.

Energy Prices

Following an extended period in which falling energy commodity prices outweighed the additional costs of renewing and extending the distribution network, replacing nuclear and coal-fired generating plants that are approaching the end of their useful lives, rolling-out smart meters, funding capacity incentives, and paying for the various renewable energy programmes which have been introduced, wholesale energy prices have increased significantly since last autumn. This has exerted significant upward pressure on retail energy prices, with both standard variable prices and the cheapest introductory deals having increased by around £90 and £140 respectively for a typical domestic customer.

It appears that the incoming Government is committed to introducing a widespread cap on standard variable tariffs. Whilst the timing of implementation, the level at which the cap would be set, and the specific details of whom it would affect are unclear, we strongly welcome this proposal as we believe it will create a fairer energy market and make it more difficult for suppliers with large legacy bases to use the profits they are earning from disengaged customers to fund cheap introductory deals to those who are switching. Whilst the gap between SVTs and the cheapest introductory deals is likely to narrow, the market will remain highly competitive, and there are many suppliers who will be unaffected by the proposed price cap who will be able to continue offering attractive tariffs to those looking to switch.

CHAIRMAN'S STATEMENT

CONTINUED

Our wholesale arrangements, retail pricing structure and low cost base mean the impact of this price cap (when implemented) on our profitability is likely to be significantly less than other major suppliers.

Regulatory

The Competition and Markets Authority published their final report on the domestic energy market during the year. Whilst we welcomed their proposals to remove the current restrictions on discounts, bundling, and the number of tariffs each supplier can offer, we believe they are fundamentally misconceived in believing their proposed database of disengaged customers will achieve anything other than greater bureaucracy, more costs and increased confusion. We hope this proposal will be quickly abandoned once the mooted price cap on standard variable tariffs takes effect.

Our programme to roll out smart meters for all our Members is well underway, with around 100,000 (largely dual fuel) meters having been installed by the beginning of June 2017. The programme is expected to gather pace over the coming months and we anticipate making good progress this year towards the 2020 target date. As previously highlighted, the financial benefits from this programme (excluding any timing differences which may arise between when costs are incurred and when they are recovered) will depend on the speed and efficiency of our roll-out relative to other suppliers. However, the continuing delays in finalising the specification of SMETS2 meters, in getting them certified, and in the smart Data Communications Company ('DCC') testing schedule, have led many commentators to question whether the original target completion date for this programme is still achievable, and the level of fulfilment costs (which will ultimately be borne by consumers) from trying to do so.

We remain concerned at the high and increasing costs imposed on the industry in order to comply with government policy, much of which seems to be imposed with inadequate thought given to delivering such initiatives in a way that will minimise costs, which ultimately get passed on by suppliers to customers through higher bills. Examples include the current faster switching initiative, the Green Deal programme, the establishment of Smart Energy GB, the structure of the smart meter roll-out programme, the over-engineering of the specification for the DCC, and the unrealistic time-frames which are invariably adopted for any industry change.

Regulation has an important role to play in ensuring the energy markets are operating in a transparent manner, creating a framework which encourages real competition, protecting the rights of consumers, and ensuring they receive a fair deal for their energy. However, it is not clear that the right balance has recently always been struck. There needs to be a clearer understanding of the need to reduce the burden of regulation which ultimately falls on those least able to afford it – namely domestic customers.

We are disappointed that deregulating the domestic water supply market was absent from the new Government's manifesto; this would have created an exciting new opportunity for us to add the supply of water to the existing range of utilities we offer, further extending the benefits to consumers of our integrated multi-utility approach. We urge the Government not to miss the chance to introduce competition into this market, which would ultimately lead to more choice, lower prices and better service for over 27 million households who are currently forced to buy from a local monopoly water supplier.

Prospects

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

Our mobile proposition is currently more competitive than ever before, due to the imminent abolition of EU roaming charges, and the recent improvements we have made to data allowances for some Double Gold members. Combined with our recent award from Which? as the UK's best provider of Broadband and Mobile services, these are expected to further reduce mobile churn and increase penetration over the coming year.

Sales of Home Insurance policies are expected to increase as we add further underwriters to our panel, and progressively start marketing this service to both new and existing Members over the course of the year. Whilst our ambitions for the current year are extremely modest, this service has the potential to make a material contribution to the business in due course.

Our strategy of achieving consistent high quality growth through delivering savings, simplicity and exceptional customer service continues to bear fruit. We have seen a significant improvement in the proportion of new Members who are switching all their services to us over the course of the last two years (from c.35% to over 50%); these better quality customers have the highest expected lifetime value, although they cost significantly more to acquire. Based on recent levels of Partner activity and membership churn, we anticipate the number of services we supply will increase by between 5% and 10% over the coming year.

From a financial perspective, the modest growth in the number of services added over the last few years, combined with higher customer acquisition costs (due to both faster growth and better quality new Members), and an increasing investment in IT, mean that our adjusted pre-tax profits from continuing operations for the current financial year, as previously announced, are likely to be at a similar level to the year just ended. The benefit from faster organic growth will, if current trends continue, be reflected in our reported results for the following financial year.

In the meantime, and in the absence of unforeseen circumstances, the steadily improving quality of our membership base and the good visibility it provides over future revenues and margins, means that we expect to increase our dividend to 50p per share for the current year. Our intention going forward is to bring our dividend pay-out ratio back to around 85% of adjusted EPS over the medium term, whilst maintaining our progressive dividend policy.

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

Charles Wigoder

Executive Chairman
12 June 2017

CHIEF EXECUTIVE'S REVIEW

MARKETS

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

The markets we operate in are 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.

BUSINESS MODEL

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

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

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

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

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

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

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

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

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

Examples of this approach include not offering short-term discounts to new Members as an inducement to switch, and always allowing existing loyal Members to benefit from any new tariffs we introduce. And keeping our best deals and lowest prices for those who have switched the most services to us.

We continue to invest in our IT systems, which enable us to integrate all the services we supply into a single monthly bill, supported by just one set of central overheads (including all administrative and membership support functions). This highly efficient cost base is a key factor in enabling us to offer attractive pricing and a wide range of valuable benefits to our Members, a secure residual income to our Partners, and a growing dividend stream to shareholders. We have embarked on a programme to enhance and update these systems over the course of the next three to five years, 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 our competitive market position. To this end, there are ongoing discussions with each of them about how the market dynamics for each of our services are changing, and the best way to ensure these are appropriately reflected in our wholesale pricing structure.

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 through organic growth, and to build a robust, sustainable and profitable business.

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

We continue to explore the possibility of expanding our current range of core services into areas where we can build upon our existing strong relationship with our Members by offering them both a better experience and better value on services they currently obtain from other suppliers, whilst also delivering a satisfactory return for our shareholders. This approach is demonstrated by the recently announced launch of

CHIEF EXECUTIVE'S REVIEW

CONTINUED

our new Home Insurance service, which we anticipate will be accompanied by a range of other insurance products in due course; in the medium term we look forward to supplying water; and in the longer term, other potential new services might include television and home emergency cover (including boiler cover), and combining the national rollout of smart meters with other 'connected home' products and services to leverage our position as the only fully integrated multi-utility supplier in the country.

OPERATIONAL PERFORMANCE AND NON-FINANCIAL KPIS

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

- continuing strong organic growth with service numbers up by 107,214 (2016: 88,257)
- materially higher proportion of Members taking our 'Double Gold' bundle
- launch of our new Home Insurance service
- successful rollout of Project Daffodil – our free LED light bulb replacement service
- introduction of new films featuring Joanna Lumley
- winner of 2017 Best Telecom Services Provider at annual Which? awards
- Which? 'Recommended Provider' for Mobile April 2017
- Which? 'Recommended Provider' for Broadband March 2017
- consistently high Net Promoter Scores

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

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

Members

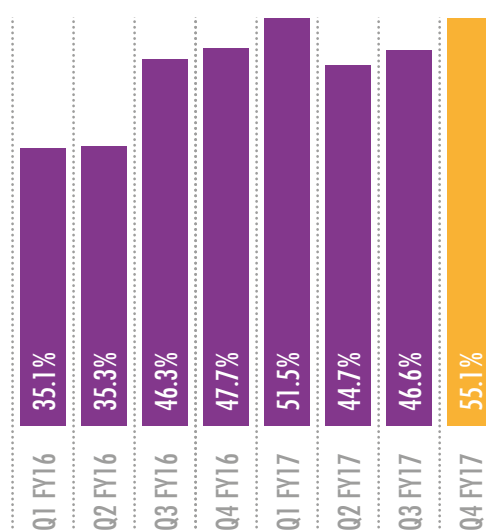
MEMBERS	2017	2016
Residential Club	578,799	568,986
Business Club	29,003	29,627
TOTAL CLUB	607,802	598,613

Whilst we continue to regard our Business Club as an exciting long-term opportunity, the dynamics of this market make it extremely difficult to grow in the current energy wholesale pricing environment. Our focus will therefore remain on the domestic market, until market conditions become more favourable.

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

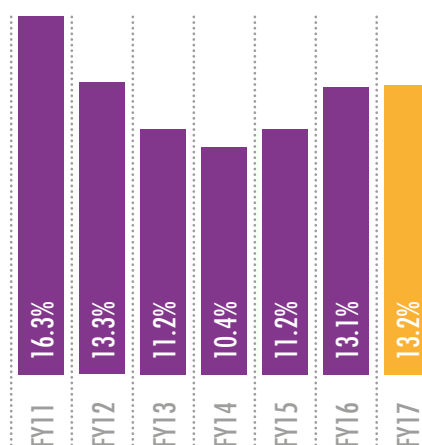
Our focus on attracting this type of Member has been reflected in an increasing proportion of new Members switching all their services to us (landline, broadband, mobile, electricity and/or gas) over the last two years as can be seen from the following figures:

PERCENTAGE OF NEW MEMBERS TAKING 'DOUBLE GOLD' BUNDLE



Individual energy supply point churn remained at around 1.1% per month, driven by collective switching initiatives and a record gap during the first half of the year between the introductory fixed price deals available from other suppliers and the range of tariffs we offer. In the context of higher levels of switching activity throughout the industry, it is pleasing that the proportion of energy customers leaving us remains on average significantly below other suppliers:

ENERGY SUPPLY POINT CHURN

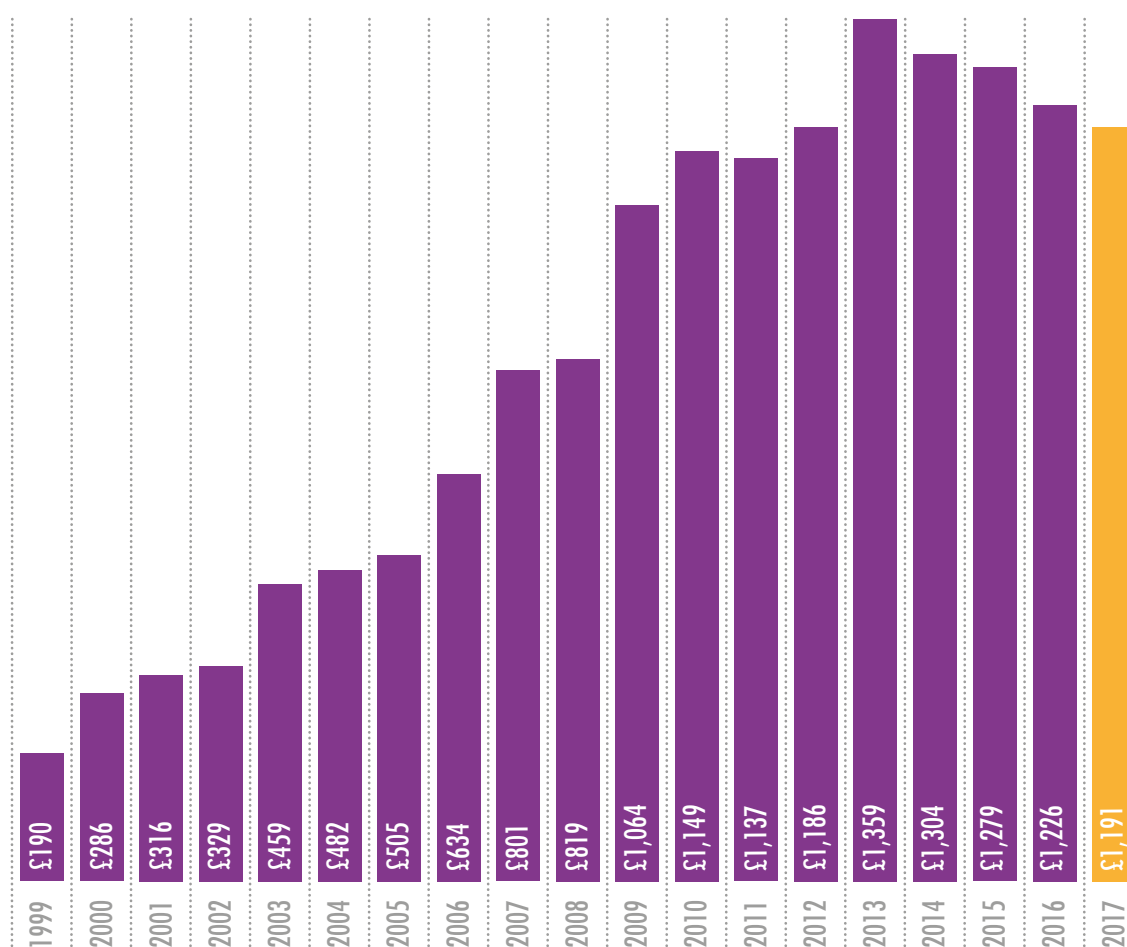


CHIEF EXECUTIVE'S REVIEW

CONTINUED

Average revenue per Member has once again fallen slightly, as the combined impact of falling average energy consumption and lower retail energy tariffs outweighed the benefit from the higher penetration of communications services (particularly mobile) that we are now seeing:

AVERAGE REVENUE PER MEMBER



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

Services

The full range of services we offer includes landline telephony (calls and line rental), broadband, mobile, gas, electricity, and our CashBack card. At the year end, we supplied a total of 2,288,918 services to Club Members (2016: 2,181,704), an increase of 4.9% during the year.

SERVICES	2017	2016
Electricity	551,622	542,430
Gas	446,394	440,872
Fixed Telephony (calls and NGN)	320,269	306,087
Fixed Telephony (line rental)	303,787	286,763
Broadband	276,721	256,777
Mobile	201,372	169,136
CashBack card	188,753	179,639
TOTAL	2,288,918	2,181,704
Residential Club	2,205,462	2,096,730
Business Club	83,456	84,974
TOTAL CLUB	2,288,918	2,181,704

All the core services we provide (landline, broadband, mobile, gas and electricity) grew during the year, with the highlight being a 19% rise in the number of mobile services. This increase means that penetration of mobile within our residential Club has now reached 35%, and is starting to catch up with our other services; this is due to a strategic decision to place mobile at the heart of our retail proposition, and to improve its competitive position.

We made 4G available to our Members last Autumn, and have just increased the data allowance for Double Gold members on our ValueMax+ tariff to 10GB at no extra cost.

CashBack

Our exclusive CashBack card has proven an important Member acquisition and retention tool. It gives our Members the opportunity to achieve additional savings of between 3% and 7% on their shopping at a wide range of participating retailers, which they receive as an automatic credit on their next monthly bill from us. Since launching the programme, the total value of CashBack funded by participating retailers and credited to Members now exceeds £33m (2016: £28m).

We saw a 5% increase during the year in the number of cards in issue to 188,753 (2016: 179,639), with the c.50% of new residential Club Members gathered directly by our Partners applying for a card being partially offset by those with inactive cards choosing not to renew when their card expired. We believe this continuing strong demand demonstrates the attractiveness of this unique membership benefit, and would be even higher were it not for the difficulties faced by some new Members in funding the switch from paying in arrears on their credit card, to paying for their purchases in advance with our prepayment card.

CHIEF EXECUTIVE'S REVIEW

CONTINUED

Many Members continue to use our online shopping portal to reduce their bills, receiving in aggregate around £0.5m of CashBack over the course of last year; this is in addition to any savings from using their CashBack cards.

The CashBack that we pay to our Members each month is funded entirely by the retailers in the programme, and many Members achieve a reduction of 20% to 30% on the amount they pay for their utilities simply by using their CashBack card (instead of an alternative payment card) for most of their regular household shopping, and/or our online shopping portal.

Member Service and Support

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

We have a relentless focus on improving the service experience we deliver to our Members; we readily invest in technology that we believe will genuinely achieve this objective, and continually assess the numerous qualitative and quantitative performance measurement tools that we employ to monitor all aspects of our Members' interactions with us to improve the overall quality of their experience.

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

We were particularly proud to win 'Best Telecommunications Services Provider' at the 2017 Which? Awards Ceremony a few weeks ago, alongside being voted UK National Public Champion in the European Business Awards. These are clear independent third party endorsements of our commitment to looking after our customers, and treating them as we would wish to be treated ourselves.

Partners

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

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

We introduced a new Quick Income Plan on 1st January 2017, giving Partners the opportunity to accelerate some of their residual income. This has been well received, and enables any Partner who wants to develop their Utility Warehouse business on a full-time basis, to earn a full-time income whilst they do so. As such, it has the potential to transform the way potential new recruits look at this opportunity.

Our Car Plan, which provides eligible Partners with a subsidised Utility Warehouse branded BMW Mini (or in some cases a BMW X5), remains extremely popular with around 900 vehicles now delivered (2016: c.800). Owners inform us that they find these helpful in raising their local profile, resulting in enquiries from both potential new Members and Partners.

Smart Meter roll-out

We have installed around 100,000 smart meters to date notwithstanding operational challenges with one of our MOPs which meant we were unable to achieve the number of installations that we had forecast last year. Having addressed these issues, our rollout this year is currently running ahead of forecast.

The industry anticipates the transition from first generation SMETS1 smart meters to second generation SMETS2 smart meters will occur this autumn, and we look forward to further accelerating our rollout programme thereafter.

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

IT Systems

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

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

Andrew Lindsay MBE

Chief Executive Officer

12 June 2017

FINANCIAL REVIEW

OVERVIEW OF RESULTS

Continuing operations	ADJUSTED ¹			STATUTORY		
	2017	2016	CHANGE	2017	2016	CHANGE
Revenue	£740.3m	£744.7m	(0.6)%	£740.3m	£744.7m	(0.6)%
Profit before tax	£53.3m	£48.8m	9.1%	£40.9m	£35.1m	16.5%
Basic EPS	53.3p	49.7p	7.2%	38.0p	32.8p	15.9%
Dividend per share	48.0p	46.0p	4.3%	48.0p	46.0p	4.3%

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

SUMMARY

The small decrease in revenue during the year has been driven mainly by lower average energy prices as a result of retail gas price reductions in the Spring of 2016, and reduced average energy usage due to the continuing impact of energy efficiency measures across the industry combined with a steadily increasing number of LED light bulbs installed in our Members' homes following the progressive successful implementation of Project Daffodil (the provision of free LED light bulbs to multi-service Members). These negative factors were partly offset by an increase in telephony revenues, resulting from an increasing penetration of fibre broadband and some higher fixed monthly charges, and the overall increase in the number of services provided to Members.

The improvement in adjusted pre-tax profits (continuing operations) of 9.1% mainly reflects the continuing modest organic growth over the last two years in the number of services we are providing to our Members, an increased proportion of revenues from higher margin telephony services relative to energy services, and a one-off recovery of £4.2m of costs incurred in prior years relating to the smart meter roll-out programme under our energy supply agreement (of which 70% was credited to cost of sales with the remaining 30% credited to administrative expenses). These are counterbalanced by recurring higher customer acquisition costs, increased investment in staff headcount and higher IT related charges. We also generated an exceptional profit of £62.3m during the year from the sale of our 20% shareholding in Opus (see below), taking our total statutory post-tax profit to £95.0m (2016: £31.8m).

Within our Customer Acquisition operating segment, losses increased to £18.3m (2016: £14.6m) primarily due to the inclusion of a full year of costs from Project Daffodil and an increase in the proportion of new Members switching all their services to us.

Distribution expenses reduced slightly to £21.1m (2016: £21.4m), mainly reflecting lower energy commissions (following the reduction in energy revenues previously highlighted), partly offset by increased commissions paid to Partners on the larger number of services being taken by our growing membership base.

Administrative expenses increased during the year by £2.8m to £55.2m (2016: £52.4m) mainly as a result of continued investment in growing staff headcount to sustain our current high standards of customer service as the business grows, and higher IT related charges.

Adjusted earnings per share (continuing operations) increased by 7.2% to 53.3p (2016: 49.7p), statutory EPS (continuing operations) 38.0p (2016: 32.8p). In accordance with previous guidance and our strong cash position, the Board is proposing to pay a final dividend of 25p (2016: 24p) per share, making a total dividend of 48p (2016: 46p) per share for the year.

MARGINS

Our overall gross margin for the year was 17.6% (2016: 16.6%) reflecting the shifting mix from energy towards higher margin telephony services, and the recovery of previously incurred smart meter rollout costs mentioned above.

CUSTOMER MANAGEMENT

We have continued to achieve steady growth in the number of services we are supplying, with an increase of over 107,000 services during the course of the year. This takes the total number of services provided within our Discount Club to almost 2.3 million – an increase of 4.9% compared with the previous year.

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

Revenues decreased slightly overall due to reduced gas pricing and lower average consumption across both types of energy service, with growing revenues in all other service areas following increases in the number of services being provided:

£m	2017	2016
Electricity	310.4	313.7
Gas	265.8	273.9
Landline and Broadband	106.7	102.1
Mobile	27.5	24.4
Other	12.4	13.8
TOTAL	722.8	727.9

CUSTOMER ACQUISITION

Our Customer Acquisition operating segment loss increased during the year to £18.3m (2016: £14.6m), mainly due to the inclusion of a full year of costs relating to Project Daffodil, our free LED replacement light bulb offer to multi-service Members, where the mass-rollout started in January 2016.

FINANCIAL REVIEW

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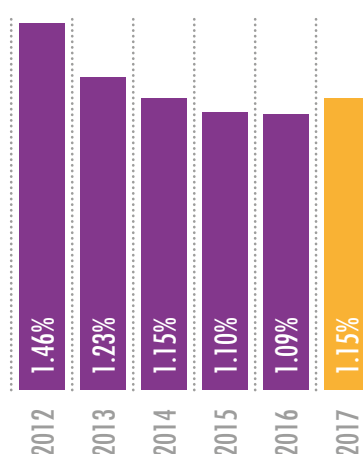
DISTRIBUTION AND ADMINISTRATIVE EXPENSES

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 reduced slightly to £21.1m (2016: £21.4m), mainly reflecting lower energy commissions following the industry wide gas price reductions at the start of the financial year, partly offset by increased commissions paid to Partners from the increase in new Members and services.

Within administrative expenses, the bad debt charge for the year fell slightly to 1.1% of revenues (2016: 1.2%), falling in absolute terms to £7.8m (2016: £8.4m).

The number of prepayment meters we installed during the year, many of which were provided at the Member's own request, fell to 5,357 (2016: 6,775), partly due to delays in fitting prepayment meters following service level issues with one of our meter operators ('MOPs') in the second half of the year; a new MOP has recently been appointed to take on this work. At the end of the year we had an installed base of 69,828 (2016: 71,026) prepayment meters, representing approximately 7.0% of the energy services we supply; this remains significantly below the average level of prepayment meters within the industry of around 16% (source: CMA).

DELINQUENT MEMBERS



Delinquency (the proportion of Members who have at least two energy bills outstanding) has been on a steady downward trajectory over the last few years, although in the last year it has increased slightly to 1.15% (2016: 1.09%). This increase is primarily due to a delay in fitting prepayment meters during the second half of the year, which resulted from operational challenges with one of our MOPs; this issue should be resolved over the coming months following the recent appointment of a new MOP.

The average number of employees increased from 908 to 1,049. This reflects our commitment to continue delivering the best possible experience to our Members (increasing numbers of which are taking multiple services from us), the additional services we are now supporting (such as Insurance, Daffodil and the smart meter roll-out) and a significant ongoing investment in strengthening both our IT resources and our management team. Personnel expenses (excluding the non-cash accounting cost of share incentive schemes) increased by 14.5% during the year to £35.3m (2016: £30.8m).

Overall, administrative expenses increased during the year by £2.8m to £55.2m (2016: £52.4m) mainly as a result of higher staff costs and increased investment in IT, partly offset by the recovery of previously incurred smart meter rollout costs mentioned above.

OPUS

Our 20% stake in Opus Energy Group Limited ('Opus') was sold in February 2017, resulting in Opus becoming a discontinued operation. The sale resulted in the receipt of £71.1m of cash and an exceptional profit from the sale of £62.3m. As explained in the Chairman's Statement above, we intend to undertake a tender offer this summer, through which we will be seeking to return up to £25m of these proceeds to shareholders; full details will be sent to shareholders alongside the forthcoming AGM documents.

CASH, CAPITAL EXPENDITURE AND WORKING CAPITAL

During the year we received an exceptional cash inflow of £71.1m following the sale of our shareholding in Opus, paid the £21.5m deferred consideration to Npower, and fully repaid our revolving borrowing facilities pending the announced tender offer. We ended the period with no debt and a cash balance of £18.7m (2016: cash before borrowings of £35.3m).

As expected, our net working capital position showed a year on year cash outflow of £9.2m primarily due to timing differences related to our energy purchasing arrangements with Npower.

Under the terms of our energy supply arrangements, Npower remains responsible for funding the working capital requirements associated with providing energy to Members who have chosen to pay on a Budget Plan.

BORROWINGS

Our balance sheet at the year-end shows a net cash position of £18.7m with zero debt drawn down from our revolving borrowing facilities (2016: net debt of £56.3m), following receipt of the £71.1m proceeds from the sale of our shareholding in Opus. Following the return of cash to shareholders under the impending share tender offer, the Group's Net Debt / EBITDA ratio would still remain below 1.0x.

DIVIDEND

The final dividend of 25p per share (2016: 24p) will be paid on 28 July 2017 to shareholders on the register at the close of business on 7 July 2017 and is subject to approval by shareholders at the Company's Annual General Meeting which will be held on 20 July 2017. This makes a total dividend payable for the year of 48p (2016: 46p), an increase of 4.3% compared with the previous year.

FINANCIAL REVIEW

CONTINUED

We believe our strong underlying cash flow, rising adjusted earnings and strong credit profile will enable us to refinance any remaining borrowings as they fall due, whilst maintaining a progressive dividend policy. In the light of the steadily improving quality of our membership base and the good visibility it provides over future revenues and margins, we expect to increase our dividend to 50p per share for the current year. Our intention going forward is to bring our dividend pay-out ratio back to around 85% of adjusted EPS over the medium term, whilst maintaining our current progressive dividend policy.

SHARE INCENTIVE SCHEME CHARGES

Operating profit is stated after share incentive scheme charges of £1.2m (2016: £2.5m). 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, we are separately disclosing this amount within the Consolidated Statement of Comprehensive Income for the period (and excluding these charges from our calculation of adjusted profits and earnings) so that the underlying performance of the business can be clearly identified. Our current adjusted earnings per share have also therefore been adjusted to eliminate these share incentive scheme charges.

TAXATION

A full analysis of the taxation charge for the year is set out in note 4 to the financial statements. The tax charge for the year is £10.4m (2016: £8.9m).

The effective tax rate for the year was 9.9% (2016: 21.9%), due to the sale of our 20% shareholding in Opus on which no tax will be paid as it is eligible for the substantial shareholding exemption. Excluding the sale of Opus and the share of profit from Opus in both years, the effective tax rates for 2017 and 2016 would be 25.5% and 25.4% respectively.

Nick Schoenfeld

Chief Financial Officer
12 June 2017

PRINCIPAL RISKS AND UNCERTAINTIES

BACKGROUND

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

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

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

BUSINESS MODEL

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

The Group's services are promoted using 'word of mouth' by a large network of independent Partners, who are paid solely 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 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.

PRINCIPAL RISKS AND UNCERTAINTIES

CONTINUED

INFORMATION TECHNOLOGY RISK

The Group is dependent on its proprietary billing and membership management software for the successful operation of its business model. This software is developed and maintained in accordance with the changing needs of the business by a team of highly skilled, generally long-standing, motivated and experienced individuals. The Group relies on this software and any failure in its operation could negatively impact service to Members and potentially be damaging to the Group's brand.

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

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

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

DATA SECURITY RISK

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

LEGISLATIVE AND REGULATORY RISK

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

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

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

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 Financial Conduct Authority ('FCA'). The Group engages with officials from all these organisations on a periodic basis to ensure they are aware of the Group's views when they are consulting on proposed regulatory changes or if there are competition issues the Group needs to raise with them.

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

Political and consumer concern over energy prices 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.

PRINCIPAL RISKS AND UNCERTAINTIES

CONTINUED

FRAUD AND BAD DEBT RISK

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

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

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

WHOLESALE PRICES RISK

The Group does not own or operate any utility network infrastructure itself, choosing instead to purchase the capacity needed from third parties. The advantage of this approach is that the Group is 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 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 hedging and buying energy for the Group's Members, and where the price paid by the Group 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; this may not be competitive against the wholesale prices paid by new and/or other independent suppliers. However, if the Group did not have the benefit of this long term supply agreement it would be exposed to 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 the Group's three 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.

ENERGY INDUSTRY ESTIMATION RISK

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

PRINCIPAL RISKS AND UNCERTAINTIES

CONTINUED

GAS LEAKAGE WITHIN THE NATIONAL GAS DISTRIBUTION NETWORK

The operational management of the national gas distribution network is outside the control of the Group. There is a risk that the level of leakage in future could be higher than those 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.

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.

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.

PEOPLE AND ORGANISATION

EMPLOYEES

We rely on the combined efforts of around 1,000 employees to manage relationships with both our Members and Partners, and deliver a consistently high quality of service at all times. We pay considerable attention to recruiting, developing and retaining people with appropriate skills.

We continue to recruit new members of staff through our own Assessment Centre designed to give the Company greater control over the recruitment process and to ensure we select the very best candidates for our positions. Once they have joined, new starters go through a structured training programme to ensure that they are fully equipped to resolve any queries from our membership and to provide the high level of service that we demand. Everyone who successfully completes this programme celebrates their achievement at a quarterly Academy graduation ceremony, where they are presented with a certificate and Champagne by the Chief Executive.

This year we have introduced our own Technical Advisor Apprenticeships, working with an accredited provider. This is proving to be very successful and we believe will play an important role in our long-term recruitment plans.

The combination of valuing and developing our staff, our service-oriented culture and the day-to-day reinforcement of our core values are key competitive advantages in enabling us to attract and retain a motivated, talented and diverse workforce.

We continue to invest in our people, evolving and refreshing our Manager and Team Leader development programmes, which are accompanied by selective executive coaching. We have recently launched a new online learning portal to assist in the development of all our employees; the content of which is under continual review. We promote from within where possible into both specialist and managerial roles.

Our monthly employee recognition awards (known internally as 'Piggy Awards') enable the Company to celebrate and reward employees who have gone 'over and above' in the performance of their role.

We actively seek to engage all our employees in changes that may concern them, rather than just a representative few on a committee. Focus groups are held on a continual basis to ensure that any changes we have introduced continue to encourage our staff to perform to their best. Regular lunches and teas are held with staff across the Company, hosted by members of the senior management team to ensure that they are kept abreast of employee concerns. We also keep employees informed on a regular basis of the financial performance of the business and other matters of potential concern to them, through the Company intranet, ad-hoc emails, the monthly Company newsletter and quarterly breakfast forums with the Chief Executive.

Our intranet 'Babble' provides a channel to communicate with staff as well as a platform for hosting communities and forums. Amongst our many communities we boast a Book Club, Film Club (with regular film showings in our auditorium), Guitar Club, Football Teams and an Art Club. We are particularly proud of our Art Club that curated an exhibition composed of works of art from members of our staff, which are exhibited across the Company.

PEOPLE AND ORGANISATION

CONTINUED

We operate an 'open-door' policy throughout the business and provide employees with various mechanisms for providing feedback and making suggestions. This year we continued our tradition and held our very own 'Dragons' Den' competition, 'The Piggies' Pen' to elicit innovative suggestions for improving our business from our staff, and were delighted with the high number of entries from both individuals and teams within the Company.

We have an active staff social committee which organises a wide range of events, supported by the Company, including the annual summer and Christmas parties quiz nights and many other ad hoc fun events. This year we also hosted our first Santa's Grotto and Panto for all our staff and their children. We also have a 'Fun Fund' set aside for individual departmental social events.

We promote staff wellbeing, through an employee assistance helpline, periodic at-desk massages, healthy meal options in the staff restaurant and a cycle to work scheme. Each September we run our 'Fit Pig Week' to promote health and well-being within the Company with a range of fun events and initiatives, such as offering well-being check-ups. We now have a nurse who comes in periodically to assist our staff with general well-being and health issues.

Our headquarters building has been designed to offer our staff a much-enhanced working environment. In addition to offering state of the art facilities, the offices include design features to inspire our staff and encourage collaboration. Spacious and light, there are break out rooms on all floors and a recreation suite that boasts a wide-screen TV lounge, pods for relaxing in, plenty of seating areas and a library area with table-tennis and pool tables. We host a brasserie style eatery, complete with its own Deli Bar. This subsidised restaurant is an ever-popular benefit for our staff and provides a great venue for the staff social events. With the exception of our logistics team, all our employees work together in Network HQ, our new Head Office building in London. We provide a wide range of other staff benefits including a discount on the services we provide, employee loans at preferential interest rates, a generous Christmas bonus scheme, Gourmet Society dining membership and recognition for 5, 10 and 15 years' service.

The Company operates an HM Revenue and Customs approved employee share option plan, under which employees are granted options to purchase shares in the Company which are exercisable between three and ten years from the date of grant. The exercise price is the market price at the time of granting the option. Our policy is to issue options to all employees after the satisfactory completion of their probationary period, and additional options when 10 years' service has been completed and in other appropriate circumstances (e.g. promotion). As at 31 March 2017 there were outstanding options over 2,325,716 shares which had been granted to staff, representing approximately 2.9% of the issued share capital of the Company.

The Company also operates a Save As You Earn (SAYE) share scheme under which employees are offered the opportunity to participate in the future growth of the Company through share option arrangements. We were pleased that over 85 members of our staff participate in the scheme.

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

We encourage all employees to participate in a stakeholder pension scheme operated by Aviva. Participants can choose their own contribution level, which is matched by the Company within certain limits, depending on length of service. As a result of pension auto-enrolment the Company is contributing to the pension funds of virtually all employees, on a monthly basis.

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

DIVERSITY

Full and fair consideration is given to opportunities for employment, training, career progression and promotion on the basis of each individual's ability, attitude and track record, irrespective of their gender, ethnic origin, nationality, age, religion, sexual orientation or disability.

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

	2017		2016	
	MALE	FEMALE	MALE	FEMALE
Board	6	1	6	-
Senior Managers	13	4	14	6
Employees	641	401	569	353

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

CORPORATE RESPONSIBILITY

ENVIRONMENT

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

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

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

We participate in a waste paper recycling programme, with a certificated saving of 235 trees and 43,710kg of CO₂ during the year (2016: 337 trees and 45,720kg of CO₂); we also recycle all of our cardboard, and use only fsc-certified paper. We recycle both mobile phones and toner cartridges.

GREENHOUSE GAS EMISSIONS STATEMENT

The greenhouse gas ('GHG') emissions statement below provides a summary of the Group's greenhouse gas (carbon) emissions from 1 April 2016 to 31 March 2017. It gives a summary of emissions from fuel combustion and the operation of our facilities (which include our offices and company cars, scope 1), and from our purchased electricity use during the year (scope 2).

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

Global GHG emissions

	TOTAL EMISSIONS (TONNES CO ₂ e)	
	2016-2017	2015-2016
Emissions from combustion of fuel (scope 1)	87.3	115.2
Emissions from electricity, heat, steam and cooling purchased for own use (scope 2)	2,216.3	2,419.9
Total emissions	2,303.7	2,535.1
Intensity: Emissions per full time employee (FTE)	2.37 tCO ₂ e/FTE	2.87 tCO ₂ e/FTE

Methodology

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

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

SOCIAL ENGAGEMENT

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

HUMAN RIGHTS

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

MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT

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

STRATEGIC REPORT APPROVAL

The Strategic Report, set out on pages 1 to 35, which incorporates the Financial and Operating Highlights, the Chairman's Statement, the Chief Executive's Review, the Financial Review, Principal Risks and Uncertainties, People and Organisation and Corporate Responsibility, has been duly approved by the Board.

By order of the Board
David Baxter
Company Secretary
12 June 2017

BOARD OF DIRECTORS



THE HON. CHARLES WIGODER, EXECUTIVE CHAIRMAN

Charles, aged 57, qualified as a Chartered Accountant with KPMG in 1984 and was subsequently employed by Kleinwort Securities as an investment analyst in the media and communication sectors. Between 1985 and 1988, he was head of corporate finance and development at Carlton Communications PLC and then Quadrant Group PLC. In March 1988 he left Quadrant Group to set up The Peoples Phone Company PLC, which was subsequently purchased by Vodafone in December 1996. He joined the Company in February 1998.



JULIAN SCHILD, DEPUTY CHAIRMAN AND SENIOR NON-EXECUTIVE DIRECTOR

Julian, aged 57, qualified as a Chartered Accountant in 1986. He joined Huntleigh Technology PLC in 1987 and was promoted to Group Finance Director that year, and to Chairman in 2003. Julian was Chairman of the Association of British Healthcare Industries from 2006 to 2007. Following the sale of Huntleigh in 2007, he set up a company investing in start-ups. Julian actively supports many charitable activities. He is a Director of the Hospital of St. John & Elizabeth in London and is an Advisory Fellow of Pembroke College, Oxford. Julian joined the Company in May 2010 as an independent non-executive director and, as determined by the Board, meets the test of independence under section B.1.1 of the UK Corporate Governance Code.



ANDREW LINDSAY MBE, CHIEF EXECUTIVE OFFICER

Andrew, aged 40, joined the Company in April 2007 and was appointed to the Board in November 2008. Before joining Telecom Plus, Andrew was Managing Director of Ryness, an electrical retail chain based in London in which he previously held a significant equity stake after performing a Management Buyout in 2006. Prior to buying Ryness, he spent three years as an analyst in the UK Mergers & Acquisitions team at Goldman Sachs. Andrew rowed for Great Britain at the Sydney Olympic Games in 2000, where he won a Gold medal.



NICK SCHOENFELD, CHIEF FINANCIAL OFFICER

Nick, aged 46, joined the Company in January 2015 as Chief Financial Officer. Since 2006, Nick was Group Finance Director of Hanover Acceptances, a substantial diversified private company with holdings in the food manufacturing, real estate, and agribusiness sectors. He was previously employed at Kingfisher plc, where he was responsible for the group's financial planning and analysis functions. Prior to this, he held senior strategic and development roles within Castorama and the Walt Disney Company, having started his career as a management consultant at the Boston Consulting Group. Nick also has an MBA from the Harvard Business School.



ANDREW BLOWERS OBE, NON-EXECUTIVE DIRECTOR

Andrew, aged 56, is a non-executive Director of AA PLC, the UK's leading provider of roadside assistance, and of CETA Insurance Limited a specialist online insurance provider. His career spans over 25 years in the UK financial services industry. He was the founder and CEO of Swiftcover.com and Chairman of IIC NV from 2004 to 2009 and an executive director of Churchill Insurance before this. Andrew joined the Company in November 2016 as an independent non-executive director and meets the test of independence under section B.1.1 of the UK Corporate Governance Code.



BEATRICE HOLLOND, NON-EXECUTIVE DIRECTOR

Beatrice, aged 56, is a member of the Board of Brown Advisory, a non-executive director of M&G Limited, a non-executive director at Templeton Emerging Markets Investment Trust, Chairman at Millbank Investment Managers, Chairman at Keystone Investment Trust and non-executive director and Chairman of the Audit Committee at Henderson Smaller Companies Investment Trust. She spent 16 years at Credit Suisse Asset Management in Global Fixed Income and began her career as an equity analyst at Morgan Grenfell Asset Management. Beatrice joined the Company in September 2016 as an independent non-executive director and meets the test of independence under section B.1.1 of the UK Corporate Governance Code.



MELVIN LAWSON, NON-EXECUTIVE DIRECTOR

Melvin, aged 58, is the Managing Director of A Beckman PLC, a company formerly listed on the London Stock Exchange which was taken private in 1995. He has interests in a wide range of investments and is a director of Catalyst Media Group PLC and a number of other companies. He joined the Company in September 2006.

CORPORATE GOVERNANCE STATEMENT

The Board is pleased to report that during the year and as at the date of this Annual Report the Company has applied the main principles and complied with the provisions of the UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council in September 2014, save in the limited instances explained below. Copies of the Code are available at www.frc.org.uk.

This report, together with the Director's Report on pages 74 to 79 and the Directors' Remuneration Report on pages 51 to 73, provides details of how the Company has applied the principles and complied with the provisions of the Code and where required explains the rationale for instances where the Company has not been compliant, namely: (i) the external facilitation of a Board evaluation exercise; and (ii) the requirement for share awards to be phased rather than being granted in blocks. Further detail in relation to the Company's position regarding performance-related elements of remuneration is set out in the Directors' Remuneration Report.

THE BOARD OF DIRECTORS

The Board meets regularly to review the progress of the Company and to discuss the measures required for its future development. Directors are provided in advance with a formal agenda of matters to be discussed at each meeting, and with the detailed information needed to monitor the progress of the Company. Records of meetings and the decisions of the Board are maintained by the Company Secretary and are approved by the Board at the following meeting. All directors have access to the advice and services of the Company Secretary and, if required, are able to take independent advice at the Company's expense in the furtherance of their duties. Any question of the removal of the Company Secretary is a matter for the Board as a whole. Whilst the members of the Board are all experienced and well qualified, the opportunity to receive further training at the Company's expense is available to them. The non-executive directors attended such formal, externally facilitated courses as they considered relevant to their roles and responsibilities during the year.

BOARD DUTIES

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

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

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

TABLE OF ATTENDANCE AT FORMAL MEETINGS DURING THE YEAR ENDED 31 MARCH 2017

NAME OF DIRECTOR	BOARD	REMUNERATION COMMITTEE	AUDIT COMMITTEE	NOMINATION COMMITTEE
<i>Number of meetings</i>	10	3	3	-
Charles Wigoder	10	-	-	-
Julian Schild	10	3	3	-
Andrew Lindsay	10	-	-	-
Nick Schoenfeld	10	-	-	-
Andrew Blowers ¹	2	1	-	-
Beatrice Hollond ¹	6	1	2	-
Melvin Lawson	10	2	2	-
Michael Pavia ¹	4	2	1	-

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

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

BOARD EVALUATION

The directors recognise that the Code requires an external evaluation of the boards of FTSE 350 companies to be carried out at least every three years. However, the directors considered the position in relation to the current year and concluded that an external evaluation was not necessary. In reaching this conclusion the directors were mindful of the effective operation of the Board during the year and the results of the internal Board evaluation exercise detailed below. The Board considers it unlikely that an external evaluation will be conducted in the medium term.

An internal evaluation of the Board for the current year was conducted through the completion of formal detailed board, and board committee evaluation questionnaires by each director. In addition, a review involving each director (excluding those who had joined during the year), was carried out. This review was conducted by the Deputy Chairman and Company Secretary and principally covered the following areas: specific matters of concern arising from the board evaluation questionnaires, individual directors' performances and key objectives for the coming year, and the identification of any specific training and development requirements.

CORPORATE GOVERNANCE STATEMENT

CONTINUED

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

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

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

The evaluation concluded that overall the Board and its Committees had operated satisfactorily during the year, with all directors making an effective contribution to the Board commensurate with their experience and responsibilities. However, the evaluation highlighted that communications between the full Board and the Company's brokers could be improved; as a result it was agreed that key representatives from the Company's brokers be invited to attend a full Board meeting in the autumn.

BOARD BALANCE

The Board comprised three executive directors and four non-executive directors at the year end. Julian Schild acted as the Company's Deputy Chairman and Senior Independent Non-Executive Director.

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

NAME OF DIRECTOR	REMUNERATION COMMITTEE	AUDIT COMMITTEE	NOMINATION COMMITTEE
Charles Wigoder	-	-	✓
Julian Schild*	✓	Chairman	✓
Andrew Lindsay	-	-	-
Nick Schoenfeld	-	-	-
Andrew Blowers*	Chairman	✓	-
Beatrice Hollond*	✓	✓	Chairman
Melvin Lawson	-	-	-

* indicates independent non-executive directors

As confirmed in last year's Annual Report, Beatrice Hollond joined the Board in September 2016 as a new independent non-executive director. Ms Hollond has become a member of the Audit and Remuneration Committees and chairs the Nomination Committee of the Board.

Mindful of the Code requirement to ensure a progressive refreshing of the Board, the Nomination Committee continued to implement its plan for non-executive director succession during the year. As such, Andrew Blowers was appointed to the Board as a new independent non-executive director in November 2016. Mr Blowers has become a member of the Audit Committee and now chairs the Remuneration Committee of the Board. Further detail on the appointment of Mr Blowers is set out in the Nomination Committee report.

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

The Board believes that the addition of two new independent non-executive directors to the board during the year has strengthened the Company's compliance with one of the key supporting principles of the Code in relation to the composition of the board, namely that the board should include an appropriate combination of executive and non-executive directors (and, in particular, independent non-executive directors) such that no individual or small group of individuals can dominate the board's decision making.

BOARD DIVERSITY

The main objective of the Nomination Committee in considering the appointment of new directors to the Board remains to ensure that successful candidates are of the highest calibre and demonstrate the best possible combination of skills and experience. The Committee's Terms of Reference further stipulate that candidates from a wide range of backgrounds shall be considered and that due regard will be given to the benefits of diversity on the Board.

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

Further detail regarding the Company's position in relation to encouraging diversity within all layers of the organisation is set out in the 'People and Organisation' section of the Strategic Report on pages 31 to 33.

CORPORATE GOVERNANCE STATEMENT

CONTINUED

EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

SUPPLY OF INFORMATION

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

RE-ELECTION

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

However, the Code requires that all directors of FTSE 350 companies be subject to annual re-election by shareholders. Therefore, all the directors will be submitted for re-election at the forthcoming Annual General Meeting in July. Acknowledging the Code requirement for a particularly rigorous review in circumstances where non-executive directors' terms are being extended beyond six years, the Board has determined that all directors submitted for re-election continue to make a valuable contribution to the commercial success of the Company, with each bringing a complementary range of skills to the team. In particular, and as referred to above, the Board has considered the long service of Melvin Lawson and has determined that he continues to provide an extremely valuable independent contribution to the Board as a result of his deep historic knowledge of the business and its operations.

REMUNERATION COMMITTEE

The Board has a Remuneration Committee whose responsibility is to ensure that the remuneration of executive directors is sufficient to attract, retain and motivate people of the highest calibre. The Remuneration Committee comprises three independent non-executive directors, namely Andrew Blowers (Chairman of the Committee), Julian Schild and Beatrice Hollond. The Directors' Remuneration Report, giving the details of the emoluments of each director, may be found on pages 51 to 73.

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

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, Julian Schild (Chairman of the Committee), Andrew Blowers and Beatrice Hollond in compliance with the Code (provision C.3.1). The activities of the Audit Committee are set out on pages 47 to 50.

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

NOMINATION COMMITTEE

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

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

The activities of the Nomination Committee are set out on pages 45 to 46.

RELATIONS WITH SHAREHOLDERS

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

The Executive Chairman, Chief Executive and Chief Financial Officer also have periodic discussions with the Company's brokers and any issues are fed back to the Board as appropriate. When reports are received from the Company's brokers following investor presentations, these are submitted to the Board for review. Additionally the non-executive directors have at least one opportunity each year to meet with the Company's brokers to discuss any issues.

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

CORPORATE GOVERNANCE STATEMENT

CONTINUED

ANNUAL GENERAL MEETING

Notice of the Annual General Meeting and related papers are sent to all shareholders at least 21 working days before the meeting. Separate resolutions are proposed for each matter including the adoption of the Report and Accounts, the approval of the Company's Remuneration Policy, the Directors' Remuneration Report and the appointment of the Group's external auditor. Proxy votes are counted and the meeting is advised of the number of proxies lodged for and against each resolution. The chairmen of the Audit, Remuneration and Nomination committees and the remaining non-executive directors are normally available to answer questions. Shareholders who attend are invited to ask questions and take part in the meeting.

INTERNAL CONTROL

The Board acknowledges its responsibility for the Group's systems of internal control and risk management. However it recognises that any system can only provide reasonable, and not absolute, assurance against material misstatement or loss. The principal risks faced by the Company and the measures taken to address these risks are set out in the Strategic Report on pages 25 to 30.

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

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

The disclosures regarding internal controls do not encompass the Company's former investment in the associate Opus Energy Group Limited.

SHARE CAPITAL AND VOTING RIGHTS

Details of the Company's share capital and substantial shareholdings can be found in the Directors' Report under the capital structure and substantial shareholders sections on pages 76 and 77.

By Order of the Board
David Baxter
Company Secretary
12 June 2017

NOMINATION COMMITTEE REPORT

INTRODUCTION

Following the retirement of Michael Pavia in July 2016, the chairmanship of the Committee was assumed by Beatrice Hollond following her appointment to the Board as a non-executive director. The other members of the Committee are Julian Schild and Charles Wigoder, which means that the Committee retains a majority of independent non-executive directors in compliance with the UK Corporate Governance Code ("the Code") (provision B.2.1).

The key responsibilities of the Nomination Committee include:

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

THE COMMITTEE'S ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2017

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

Recruitment of new independent non-executive director

The Committee's principal activity during the year related to the identification and evaluation of a new independent non-executive director. As previously indicated, the Committee was keen to identify candidates with experience in the retail insurance industry given the Company's plans to expand into this area in future. To meet this specific requirement, an external search consultancy, Korn Ferry, was instructed to draw up a shortlist of suitable candidates for consideration by the Committee.

From this shortlist, a small number of candidates were invited to meet the non-executive directors and Executive Chairman, acting on behalf of the Board, to evaluate their suitability for this role.

From these, Andrew Blowers was selected as the strongest candidate by the Committee. Mr Blowers is currently a non-executive director of AA PLC, the UK's largest provider of roadside assistance, and of CETA Insurance Limited, a specialist online insurance provider. His career spans over 25 years in the UK financial services industry. He was the founder and CEO of Swiftcover.com and Chairman of IIC NV from 2004 to 2009 and an executive director of Churchill Insurance before this. He also displayed a keen interest in joining the Board.

Andrew joined the Board in November 2016 and has become a member of the Audit Committee and Chairman of the Remuneration Committee.

NOMINATION COMMITTEE REPORT

CONTINUED

Korn Ferry does not have any other connection with the Company.

Other activities

Other discussions concerning Committee matters during the year principally related to the appropriateness of the composition of the Board given the Company's operations and medium-term strategic objectives, and succession planning for senior management. Aside from the appointment of Andrew Blowers described above, no other changes to the Board were deemed necessary during the year.

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

Beatrice Hollond

Chairman of the Nomination Committee

On behalf of the Board

12 June 2017

AUDIT COMMITTEE REPORT

INTRODUCTION

Following the retirement of Michael Pavia in July 2016, independent non-executive Deputy Chairman Julian Schild became chairman of the Audit Committee ("the Committee"). The other members of the Committee include independent non-executive directors Beatrice Hollond and Andrew Blowers. In accordance with the UK Corporate Governance Code ("the Code") (provision C.3.1) the Committee comprises three independent non-executive directors. Julian Schild is also identified as having recent and relevant financial experience.

THE AUDIT COMMITTEE

Attendance at Committee meetings during the current year by Committee members is set out in the Corporate Governance Report on page 39 of this document. In accordance with best practice, the Committee has the opportunity, as required, to meet with the external auditor of the Company without the presence of any executive directors and has done so during the current year.

The key responsibilities of the Committee include:

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

The senior management team and executive directors periodically review the effectiveness of key internal control and risk management processes within the Company and report any changes in such activities to the Audit Committee and the external auditor for consideration. The review covers all material controls, including financial, operational and compliance controls.

THE COMMITTEE'S ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2017

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

AUDIT COMMITTEE REPORT

CONTINUED

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

ISSUE	ACTION TAKEN BY THE COMMITTEE
Operational accuracy of billing system	Review of internal analysis and external auditor procedures. Monitoring of regulator communications (Ofgem, BABT) and monthly monitoring of detailed call centre statistics which would indicate significant billing issues.
Revenue recognition in relation to energy services	Monitoring of key assumptions underlying the recognition of energy revenues based on internal analysis.
Valuation of intangible assets	Review of key assumptions underlying the value and recoverability of the intangible asset relating to the energy supply agreement entered into with Npower in December 2013.
Risk of management override of internal controls	Review of significant accounting estimates and judgements in relation mainly to receivables balances.

Also, in conjunction with the Company's external auditor, the Audit Committee has considered, amongst other matters, compliance with the provisions of the Code and accounting developments, the Company's financial control environment and its risk management and control processes. As part of this process the Audit Committee has also considered the need for any special projects or internal investigations and concluded that no such additional projects or investigations have been required.

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

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

As detailed further below, the Audit Committee also reviewed the Company's non-audit fee policy during the year.

EXTERNAL AUDITOR EFFECTIVENESS

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

In reaching this conclusion, the Committee assessed:

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

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

EXTERNAL AUDITOR INDEPENDENCE

The Audit Committee reviewed the Company's non-audit fee policy during the year. In order to guard against the objectivity and independence of the external auditor being compromised, the provision of any significant additional services remains subject to the prior approval of the Audit Committee.

In accordance with the new policy, the Committee would normally be likely to prohibit the provision of the following types of non-audit related work by the Company's external auditor:

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

AUDIT COMMITTEE REPORT

CONTINUED

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

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

REPORTING OF STAFF CONCERNS

Melvin Lawson, a long-standing non-executive director, is the primary point of contact for staff of the Company to raise, in confidence, concerns they may have over possible improprieties, financial or otherwise. All employees have been notified of this arrangement in the Staff Handbook and on the Company's intranet website which sets out Melvin Lawson's contact details (Code provision C.3.5). No such matters were raised by employees during the current year.

Julian Schild

Chairman of the Audit Committee

On behalf of the Board

12 June 2017

DIRECTORS' REMUNERATION REPORT

ANNUAL STATEMENT

Dear Shareholder,

As newly appointed Chairman, and in accordance with best practice, I am pleased to provide my first introduction to the Remuneration Committee Report which appears in full on pages 51 to 73.

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

As set out in last year's Report, a new long term incentive plan ("LTIP 2016") was duly approved at the Annual General Meeting in July 2016. The first LTIP 2016 awards were made in April 2017, with the Chief Executive Officer and Chief Financial Officer each subscribing for 30,000 growth shares and simultaneously relinquishing their unexercised share options for no consideration. Growth shares under LTIP 2016 were also issued to certain other senior employees.

The launch of LTIP 2016 required a material change to the Company's Remuneration Policy which was approved by shareholders at the Company's last AGM. The Committee will keep this new remuneration policy under review, in accordance with legislation and the principles of good corporate governance, and expects to submit an updated version to the AGM to be held in 2019.

Executive directors' salaries are reviewed annually. During the year covered by this Report, the Executive Chairman and Chief Executive Officer each received an increase of 1.25% taking their salaries to £431,629 and £467,598 respectively; this percentage increase was in line with the Company's standard increase for employees generally. The Chief Financial Officer received an increase from £406,000 to £456,000 reflecting his growing knowledge and experience of the Company and the increasing scope of his role.

For the year to 31 March 2018, the Executive Chairman will receive an increase of 2% on his salary to £440,262; this is in line with the Company's average cost of living increase. The Chief Executive Officer and Chief Financial Officer will receive increases to their salaries of 13.3% and 16.2% respectively to £530,000 each for the period. Whilst these increases are higher than the Company's average level of increase, the Committee believes that they are fully justified by reference to the relevant competitor benchmarks, the strong performance of both the Company and the individuals, and the absence of any bonus element in their remuneration structure.

The Committee continues to believe that the provision of competitive base salaries together with market price equity incentives (including the awards made under the LTIP 2016), are the best way to ensure a clear alignment of interest between management and shareholders, combined with long term retention and motivation of the individuals involved.

In conclusion, and on behalf of both myself the former Committee Chairman, I would like to thank shareholders for their continued engagement on remuneration matters during the year.

Andrew Blowers

Chairman of the Remuneration Committee
12 June 2017

REMUNERATION POLICY

REMUNERATION COMMITTEE

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

The Committee met formally three times during the year and details of attendance at these meetings are provided in the Corporate Governance Statement on page 39.

The Committee's principal activities during the year included:

- reviewing and approving executive director remuneration packages;
- monitoring senior management remuneration packages;
- reviewing and approving the issue of share options to certain employees and independent distributors of the Company; and
- overseeing the implementation of the new LTIP 2016 following shareholder approval.

REMUNERATION POLICY INTRODUCTION

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

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

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

REMUNERATION POLICY TABLE

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

REMUNERATION POLICY

CONTINUED

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

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

REMUNERATION POLICY

CONTINUED

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

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

REMUNERATION POLICY

CONTINUED

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

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

CHOICE OF PERFORMANCE MEASURES

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

Share Incentive Schemes (excluding LTIP 2016)

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

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

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

LTIP 2016

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

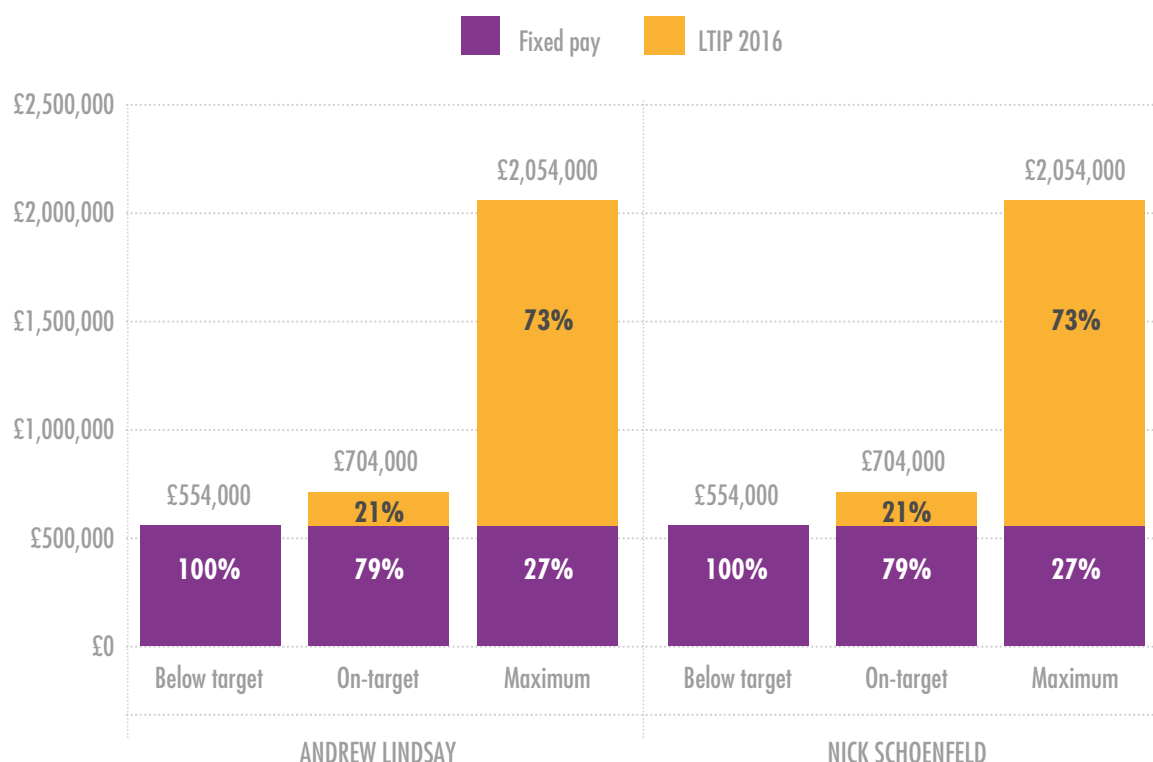
REMUNERATION POLICY

CONTINUED

ILLUSTRATIVE APPLICATION OF REMUNERATION POLICY

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

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



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

SERVICE CONTRACTS AND POLICY FOR PAYMENT FOR LOSS OF OFFICE

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

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

REMUNERATION POLICY

CONTINUED

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

APPROACH TO RECRUITMENT REMUNERATION

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

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

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

NON-EXECUTIVE DIRECTORS' FEES POLICY

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

REMUNERATION POLICY

CONTINUED

STATEMENT OF CONSIDERATION OF SHAREHOLDER VIEWS

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

STATEMENT OF CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE GROUP

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

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

ANNUAL REPORT ON REMUNERATION

This report, which has been prepared in accordance with the provisions of the UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council in September 2014 and Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in August 2013) ("the Regulations"), has been approved by the Board of directors for submission to shareholders for approval at the forthcoming Annual General Meeting. The sections under the headings "Single Total Figure of Remuneration", parts of "Share Incentive Schemes" and "Pension Schemes" have been subject to external audit.

SINGLE TOTAL FIGURE OF REMUNERATION

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

- Charles Wigoder - increased from £426,300 to £431,629;
- Andrew Lindsay - increased from £461,825 to £467,598; and
- Nick Schoenfeld - increased from £406,000 to £456,000.

These increases for Charles Wigoder and Andrew Lindsay broadly reflected the average increase in the base salaries of the majority of the Company's employees. Nick Schoenfeld received an increase from £406,000 to £456,000 reflecting his increased knowledge and experience of the Company following joining the Board in January 2015.

The non-executive directors receive fees for their services, the details of which are described below. The level of these fees for the existing non-executive directors was unchanged during the year. Andrew Blowers and Beatrice Hollond joined the Board during the year on annual salaries of £40,000 each.

YEAR ENDED 31 MARCH 2017 (AUDITED)

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

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

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

ANNUAL REPORT ON REMUNERATION

CONTINUED

Only Andrew Lindsay held share incentive awards where final vesting was determined as a result of performance conditions relating to a period ending in the financial year to 31 March 2017. However, as set out in the Chairman's Annual Statement above, these awards were relinquished for no consideration by Mr Lindsay after the year end on 4 April 2017 and therefore no amount has been included in the table above as no benefit will accrue to Mr Lindsay from these awards.

YEAR ENDED 31 MARCH 2016 (AUDITED)

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

DIRECTOR	SALARY & FEES £'000	TAXABLE BENEFITS £'000	PENSION CONTRIBUTIONS £'000	SHARE INCENTIVES £'000	TOTAL £'000
Charles Wigoder	426	-	-	-	426
Julian Schild	35	-	-	-	35
Andrew Lindsay	462	11	40	-	513
Nick Schoenfeld	406	4	40	-	450
Melvin Lawson	12	-	-	-	12
Michael Pavia	21	-	-	-	21
TOTAL	1,362	15	80	-	1,457

The amounts relating to benefits received relate principally to the provision of private health insurance and Company motor vehicles to the directors.

SHARE INCENTIVE SCHEMES

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

The Employee Share Option Plan

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

The Committee recognises that the collective contribution of all employees is critical to the success of the Company and continues to believe that the granting of share options at all levels within the organisation generates employee loyalty and helps to ensure that staff turnover is kept to a minimum and below the levels seen across the industry for employees passing their probationary periods.

The LTIP 2016

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

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

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

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

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

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

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

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

ANNUAL REPORT ON REMUNERATION

CONTINUED

The Employee SAYE Share Option Plan

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

The Networkers and Consultants Share Option Plan

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

Statement of Directors' Shareholding and Share Interests (audited)

Details of the directors' shareholdings are set out in the Directors' Report on page 75. As set out in the Future Remuneration Policy Table of the Company's Remuneration Policy, a target level of share ownership is not stipulated for directors, however, subject to personal circumstances and existing shareholdings they are encouraged to retain 25% of shares issued as a result of the exercise of share incentive awards.

Details of the share awards held by or granted to directors during the year are set out in the table below (further details on the estimated cost of these awards are set out in note 18 to the financial statements):

CHARLES WIGODER

	1 APRIL 2016	GRANTED	EXERCISED/ LAPSED	31 MARCH 2017	EXERCISE PRICE PER SHARE	EXERCISABLE FROM	EXPIRY DATE
<i>SAYE Scheme</i>							
25 Sept 2015	1,701	-	-	1,701	1058p	1 Nov 18	30 Apr 19

ANDREW LINDSAY

	1 APRIL 2016	GRANTED	EXERCISED/ LAPSED	31 MARCH 2017	EXERCISE PRICE PER SHARE	EXERCISABLE FROM	EXPIRY DATE
<i>Share options</i>							
1 July 2014	100,000	-	-	100,000	1337p	1 Jul 17	30 Jun 24
1 July 2014	100,000	-	-	100,000	1337p	1 Jul 19	30 Jun 24
1 July 2014	100,000	-	-	100,000	1337p	1 Jul 21	30 Jun 24
<i>SAYE Scheme</i>							
25 Sept 2015	1,701	-	-	1,701	1058p	1 Nov 18	30 Apr 19

NICK SCHOENFELD

	1 APRIL 2016	GRANTED	EXERCISED/ LAPSED	31 MARCH 2017	EXERCISE PRICE PER SHARE	EXERCISABLE FROM	EXPIRY DATE
<i>Share options</i>							
13 July 2015	100,000	-	-	100,000	985p	13 Jul 18	12 Jul 25
13 July 2015	50,000	-	-	50,000	985p	13 Jul 19	12 Jul 25
13 July 2015	50,000	-	-	50,000	985p	13 Jul 20	12 Jul 25
13 July 2015	50,000	-	-	50,000	985p	13 Jul 21	12 Jul 25
13 July 2015	50,000	-	-	50,000	985p	13 Jul 22	12 Jul 25
<i>SAYE Scheme</i>							
25 Sept 2015	1,701	-	-	1,701	1058p	1 Nov 18	30 Apr 19

Mr Andrew Lindsay

On 1 July 2014 300,000 share options were awarded to Mr Lindsay under the terms of the Employee Share Option Scheme. These options were made subject to performance conditions which were described in previous annual reports. However, Mr Lindsay relinquished these options for no consideration after the year end on 4 April 2017 and therefore no benefit will accrue to Mr Lindsay from this award.

Mr Nick Schoenfeld

On 13 July 2015 300,000 share options were awarded to Mr Schoenfeld under the terms of the Employee Share Option Scheme. These options were made subject to performance conditions which were described in the previous annual report. However, Mr Schoenfeld relinquished these options for no consideration after the year end on 4 April 2017 and therefore no benefit will accrue to Mr Schoenfeld from this award.

DIRECTORS' CONTRACTS OF SERVICE

There are Service Contracts or Letters of Appointment for Charles Wigoder (5 May 2011), Andrew Lindsay (5 May 2011), Nick Schoenfeld (9 October 2014), Julian Schild (25 May 2010), Andrew Blowers (2 November 2016), Beatrice Hollond (26 September 2016) and Melvin Lawson (27 September 2006). These provide notice periods of three months on either side for the non-executive directors and the following notice periods for the executive directors: Mr Wigoder twelve months on either side and Mr Lindsay and Mr Schoenfeld each with six months on either side.

PENSION SCHEMES (AUDITED)

The Company makes no contributions to the pensions of any current directors except to Mr Lindsay and Mr Schoenfeld, details of which are shown within the table on page 65.

ANNUAL REPORT ON REMUNERATION

CONTINUED

PERFORMANCE GRAPH SHOWING TOTAL SHAREHOLDER RETURN

The following graph shows the Company's performance measured by total shareholder return compared with the performance of the FTSE All Share Telecommunications Index and the FTSE 350 for the period 2 April 2012 to 31 March 2017. As noted in previous years, the FTSE All Share Telecommunications Index was initially selected at a time when a larger proportion of the Company's revenues related to the supply of telephony services; only approximately 18% of the Company's revenues are now generated from such telephony services.

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

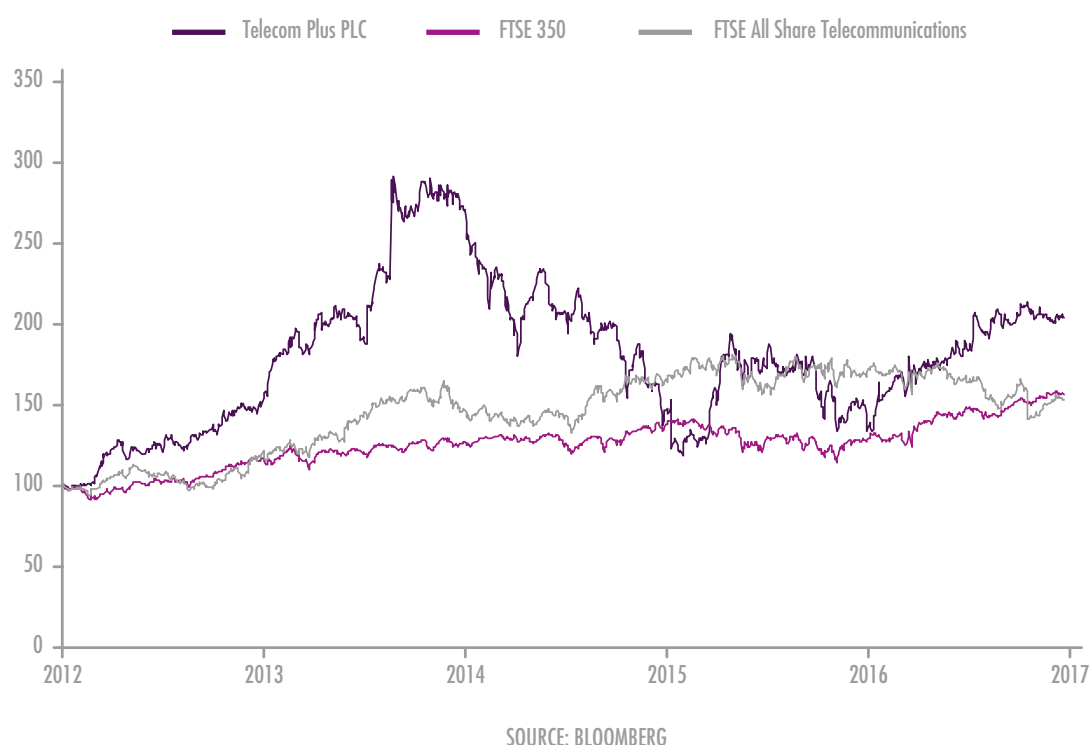


TABLE OF HISTORICAL DATA

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

YEAR ENDED 31 MARCH	2013	2014	2015	2016	2017
Single figure of total remuneration £'000	399	432	2,175	513	523
Percentage of maximum of share incentives vesting in year %	N/A	N/A	100	N/A	N/A

The gain on share incentive schemes vesting in the year ended 31 March 2015 represent the gains on share incentive awards based on the prevailing share price as at the earlier of the date of exercise of the share incentives and the year end in which the awards vested. No share incentive awards vested to the Chief Executive in the years ended 31 March 2013, 2014, 2016 and 2017.

PERCENTAGE CHANGE IN THE REMUNERATION OF THE CHIEF EXECUTIVE

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

YEAR ENDED 31 MARCH	2017 £'000	2016 £'000	CHANGE %
Salary	468	462	1.25%
Benefits	15	11	36.36%

The Group's pay review for the year ended 31 March 2017 which took effect on 1 April 2016 awarded average percentage increases in salaries to employees of 1.25%.

RELATIVE IMPORTANCE OF THE SPEND ON PAY

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

CASH OUTFLOWS TO KEY STAKEHOLDERS	2017 £'000	2016 £'000	CHANGE %
Wages and salaries	31,501	27,495	14.6%
Dividends paid	37,633	34,331	9.6%

ANNUAL REPORT ON REMUNERATION

CONTINUED

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN THE FOLLOWING FINANCIAL YEAR

Base Salaries

The Committee recommended increases of 13.3% and 16.2% be made to the base salaries of the Chief Executive Officer and Chief Financial Officer for the forthcoming year ended 31 March 2018, with effect from 1 April 2017, taking each of their salaries to £530,000. Whilst these increases are above the Company's normal cost of living increase, the Committee believes that they are fully justified by reference to the relevant competitor benchmarks, and the strong performance of the Company and both individuals. In setting these increases the Committee also took into account the fact that the executive directors do not receive annual cash or share bonuses.

The Committee also recommended an increase of 2.0% to the Executive Chairman's salary to £440,262, in line with the Company's average cost of living increase.

Employee and distributor share option schemes

The Company's existing employee and distributor share option schemes were put in place in August 2007 and have a 10 year life. As such two new share option plans will be submitted for approval by shareholders at the forthcoming AGM in July. The new schemes will be proposed based on substantially the same terms and conditions as the existing plans.

LTIP 2016

In line with the intention of the Company as set out in last year's Annual Report, on 4 April 2017 Andrew Lindsay and Nick Schoenfeld each subscribed to 30,000 growth shares in accordance with the rules of LTIP 2016 set out above.

Other benefits

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

SHAREHOLDER VOTE AND SHAREHOLDER ENGAGEMENT

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

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

	2016 AGM	%
<i>To approve the 2016 Remuneration Report</i>		
Votes cast in favour & Chairman discretion	52,912,532	97.68
Votes cast against	1,257,898	2.32
Total	54,170,430	100.00

<i>To approve the Remuneration Policy</i>		
Votes cast in favour & Chairman discretion	35,263,962	66.24
Votes cast against	17,974,019	33.76
Total	53,237,981	100.00

<i>To approve the implementation of the LTIP 2016</i>		
Votes cast in favour & Chairman discretion	35,263,351	66.23
Votes cast against	17,978,277	33.77
Total	53,241,628	100.00

In addition to the above there were 15,525, 947,974 and 944,327 votes withheld for each vote above respectively.

The Committee noted the high number of votes cast against the Remuneration Policy and the proposed introduction of the LTIP 2016. However, the Committee firmly believes that LTIP 2016 was in the best interests of the Company and that its implementation was in the best long-term interests of the Company.

THE UK CORPORATE GOVERNANCE CODE

The Committee acknowledges the requirement set out in the Corporate Governance Code issued by the FRC in September 2014 ("the Code") for companies to put in place arrangements that will enable them to recover or withhold variable remuneration when appropriate to do so.

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

Andrew Blowers

Chairman of the Remuneration Committee
On behalf of the Board
12 June 2017

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements for the year to 31 March 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

A full review of the development of the business is contained in the Strategic Report on pages 1 to 35. A summary of the financial risk management objectives and policies is contained in note 19 to the financial statements.

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

RESULTS AND DIVIDENDS

The profit for the year after tax of £94,960,000 (2016: £31,774,000) has been transferred to reserves. An interim dividend of 23p per share (2016: 22p) was paid during the year. A final dividend of 25p per share (2016: 24p per share) is proposed.

On 20 April 2017 the Board announced that it expected adjusted profit before tax from continuing activities to be around £53 million for the year ended 31 March 2017. The actual adjusted profit before tax for the year ended 31 March 2017 from continuing activities was £53.3 million.

GROUP REORGANISATION

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

DIRECTORS

The names of directors who served during the year and their interests, including those of their connected persons, in the share capital of the Company at the start and end of the year are set out in the table below. Details of the directors' share incentive awards are disclosed in the Directors' Remuneration Report on pages 68 to 69.

DIRECTOR	ORDINARY 5P SHARES HELD AT	
	31 MARCH 2017	31 MARCH 2016
Charles Wigoder	16,073,241	16,073,241
Julian Schild*	189,932	189,932
Andrew Lindsay	382,674	382,674
Nick Schoenfeld	6,250	6,250
Andrew Blowers*	-	-
Beatrice Hollond*	1,800	-
Melvin Lawson*	2,136,744	2,136,744
Michael Pavia*	N/A	36,391

*indicates non-executive directors, Michael Pavia retired from the Board on 22 July 2016

In respect of the above shareholdings, Mr Wigoder has a non-beneficial interest in 3,067,683 shares (2016: 3,067,683).

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

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

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

DIRECTORS' REPORT

CONTINUED

DIRECTORS' CONFLICTS OF INTEREST

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

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

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company maintains appropriate insurance to cover directors' and officers' liability and has provided an indemnity, as permitted by the Companies Act 2006, in respect of all of the Company's directors which was in force throughout the financial year and remains in force. Neither the insurance nor the indemnity provides cover where a director has acted fraudulently or dishonestly.

EMPLOYEES

The requirements of the Companies Act 2006 in respect of employees are set out in the Strategic Report on pages 31 to 33.

SUBSTANTIAL SHAREHOLDERS

As at 12 June 2017, in addition to the directors, the following have notified the Company of their substantial shareholdings as detailed below:

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE OF ISSUED SHARE CAPITAL
Standard Life Investments Ltd	7,453,001	9.3%
Schroders PLC	6,057,750	7.5%
Hargreave Hale Ltd	3,756,743	4.7%
Norges Bank	3,241,358	4.0%

CAPITAL STRUCTURE

Restrictions on the transfer of shares

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

Other than as set out below and so far as the directors are aware, there were no arrangements at 31 March 2017 by which, with the Company's co-operation, financial rights carried by securities are held by a person other than a holder of securities, or any arrangements between holders of securities that are known to the Company and which may result in restrictions on the transfer of securities or on voting rights.

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

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

The Company established a Joint Share Ownership Plan ("the JSOP") on 30 March 2011. As part of the JSOP an employee benefit trust was established to jointly hold shares with the participants in the plan ("the JSOP Share Trust"). As at 31 March 2017 the JSOP Share Trust held 252,638 shares. All voting and dividend rights attached to these shares have been waived.

Takeovers

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

Authority for purchase of own shares

At the last AGM held on 22 July 2016, the Company obtained authority to purchase up to 8,025,835 ordinary shares representing approximately 10% of the issued ordinary share capital (excluding treasury shares) as at 17 June 2016. The Company intends to renew this authority at this year's AGM.

DIRECTORS' REPORT

CONTINUED

During the year the Company did not repurchase any ordinary shares. As previously announced, the Company intends to use certain of the proceeds from the disposal in February 2017 of its investment in Opus Energy Group Limited to undertake a tender offer open to all shareholders. Details of the tender offer are set out in a circular sent to shareholders along with this document.

Treasury shares

The Company held 60,000 ordinary shares in treasury as at 31 March 2017 (2016: 60,000).

DISCLOSURE OF INFORMATION

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

CORPORATE GOVERNANCE

The Company's position in relation to compliance with the requirements of the UK Corporate Governance Code issued by the Financial Reporting Council is set out in the Corporate Governance Statement on pages 38 to 44.

RISK, CONTROL AND VIABILITY

In accordance with the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a three year period, taking into account the Group's current position and the potential impact of the principal risks and uncertainties set out on pages 25 to 30. Based on this assessment, the directors confirm that they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period to March 2020.

The directors have determined that a three year period to 31 March 2020 constitutes an appropriate period over which to provide its viability statement. This is the period focussed on by the Board during the strategic planning process.

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

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

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

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

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

The Group has from Barclays Bank PLC and Lloyds Bank PLC total revolving credit facilities of £150 million for the period to 14 December 2020. As at 31 March 2017, £18.7 million of cash was held on the balance sheet with no debt outstanding following the receipt of proceeds from the sale of the Company's shareholding in Opus Energy Group Limited in February 2017. The Company has announced that it intends to return £25 million of these proceeds via a share tender offer in July 2017.

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

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

For and on behalf of the Board

David Baxter

Company Secretary

12 June 2017

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 2006.

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

WEBSITE PUBLICATION

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the integrity of the financial statements contained therein.

DIRECTORS' RESPONSIBILITIES PURSUANT TO DTR4

The directors confirm to the best of their knowledge:

- the Group financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and
- the annual report includes a fair review of the development and performance of the business and the financial position of the Group and the parent company, together with a description of the principal risks and uncertainties that they face.

Having taken advice from the Audit Committee, the Board considers the report and accounts, taken as a whole, to be fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

For and on behalf of the Board

Charles Wigoder

Executive Chairman
12 June 2017

Nick Schoenfeld

Chief Financial Officer
12 June 2017

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

OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Telecom Plus PLC for the year ended 31 March 2017 set out on pages 88 to 126. In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2017 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

OVERVIEW		
Materiality: Group Financial Statements as a whole	£1.65m (2016: £1.9m)	
	4.5% (2016: 4.7% of reported profit before tax) of normalised group profit before tax from continuing operations	
Coverage	100% (2016: 100%) of group profit before tax from continuing operations	
RISKS OF MATERIAL MISSTATEMENT VS 2016		
Recurring risks	Energy revenue recognition	◀▶ unchanged
	Valuation of energy supply agreement intangible asset	◀▶ unchanged

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows (unchanged from 2016):

	THE RISK	OUR RESPONSE
Energy revenue recognition	Use of estimates	Our procedures included:
Refer to page 48 (Audit Committee Report), page 95 (critical accounting estimates), page 97 (accounting policy) and page 103 (financial disclosures).	<p>Revenue recognised in relation to the supply of gas and electricity includes estimates of the value of the energy supplied to customers between the date of the last meter reading and the year end. The method of estimating such revenues is complex and judgmental, requiring estimates and assumptions to be made to assess the volume of energy supplied, which is sensitive to a number of factors, one of which includes any volatility in weather patterns.</p> <p>The risk of misstatement is that the accounting for the Group's estimated revenues does not appropriately reflect the underlying actual delivery of gas and electricity as at 31 March 2017 and as a result revenues may be misstated.</p>	<ul style="list-style-type: none"> • Control design: testing the design, implementation and operating effectiveness of the Group's controls which include monitoring the accuracy of the billing systems estimation of energy usage; • Test of detail: for a sample of customers analysing the accuracy of the energy usage estimate at the year end by comparing actual usage, obtained from meter readings received between 15 March 2017 and 2 April 2017, with the billing system generated estimated usage for the same period; • Test of detail: assessing the volume and nature of customer complaints received in relation to estimated meter readings in order to identify whether any indicators exist of an underlying issue with the Group's estimation of energy usage; and • Assessing transparency: considering whether the critical accounting estimates, judgements and assumptions, and accounting policy disclosures properly reflect the judgements and estimates inherent in recognising revenue.

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

CONTINUED

	THE RISK	OUR RESPONSE
Energy supply agreement intangible asset	Valuation of the energy supply agreement intangible asset	Our procedures included:
<p>(£187.1m; 2016: £198.4m)</p> <p>Refer to page 48 (Audit Committee Report), page 95 (critical accounting estimates), page 99 (accounting policy) and page 108 (financial disclosures).</p>	<p>An intangible asset is held on the Group's balance sheet at cost less amortisation, representing an energy supply agreement to supply gas and electricity to the Group.</p> <p>Wholesale energy prices are volatile, and there are high levels of competition in the energy supply market, leading to challenging market conditions with increased customer churn and price competitiveness. In that context, the external market conditions have led to the identification of a market indicator of impairment.</p> <p>Recoverability of the intangible asset is subject to judgement in terms of the assumptions used in the Group's discounted cash flow model, in particular in respect of customer growth and the discount rate. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, this is one of the key judgemental areas that our audit is concentrated on.</p>	<ul style="list-style-type: none"> • Methodology choice: assessing the appropriateness of the design and implementation of the Group's discounted cash flow model in particular the appropriateness of the cash flows used in the model; • Historical comparisons: assessing the reasonableness of the Group's forecasting by comparing actual performance for the year against forecasts for the same period in the prior year model; • Benchmarking assumptions: evaluating the Group's assumptions included within the discounted cash flow forecasts by comparing key inputs such as projected growth, cost inflation and discount rates to internally and externally derived data; • Sensitivity analysis: performing sensitivity analysis on the assumptions; and • Assessing transparency: considering whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions.

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

Materiality for the Group financial statements as a whole was set at £1.65m (2016: £1.9m). The 2017 materiality has been determined with reference to a benchmark of group profit before tax from continuing operations of £40.8m, normalised to exclude a recovery of £4.2m of previously incurred costs relating to the smart meter roll-out programme, of which it represents 4.5% (2016: 4.7%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £82,500 (2016: £95,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Five (2016: four) components were subjected to full scope audits, all conducted by the Group team, with a component materiality ranging from £35,000 to £1,237,500 (2016: £90,000 to £1,500,000). These components accounted for 100% of total Group revenue; 98% of Group profit before taxation and 100% of total Group assets.

In both 2017 and 2016 the Group audit team also performed specified risk-focused procedures over the share of profit of associate prior to its disposal, covering the revenue recognition policy and estimation of supply of energy to customers.

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

NORMALISED PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

£40.8m (2016: £40.7m, includes operations disposed of in the year ended 31 March 2017)



- Normalised profit before tax from continuing operations
- Group materiality

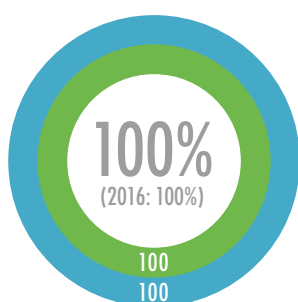
MATERIALITY £1.65m (2016: £1.9m)

£1.65m
Whole financial statements materiality
(2016: £1.9m)

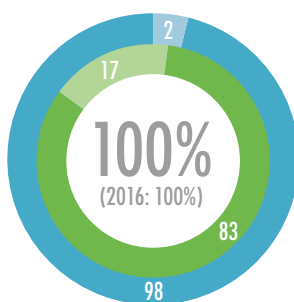
£1.2m
Range of materiality at five components
(£35,000 - £1,237,500)
(2016: £90,000 - £1,500,000)

£82,500
Misstatements reported to the audit committee
(2016: £95,000)

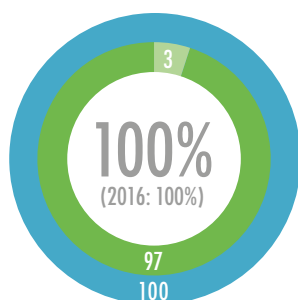
GROUP REVENUE



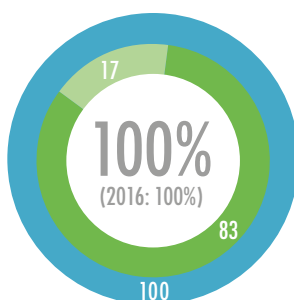
GROUP PROFIT BEFORE TAX



GROUP TOTAL ASSETS



NORMALISED GROUP PROFIT BEFORE TAX FROM CONTINUING OPERATIONS



- Full scope for group audit purposes 2017
- Specified risk-focused audit procedures 2017
- Full scope for group audit purposes 2016
- Specified risk-focused audit procedures 2016

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

CONTINUED

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies act 2006.

5 We have nothing to report on the disclosures of principal risks

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

- the directors' statement of risk, control and viability on pages 78 to 79, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the Group's continuing in operation over the 3 years to 31 March 2020; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

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

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on pages 78 to 79, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on pages 38 to 44 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

SCOPE AND RESPONSIBILITIES

As explained more fully in the Directors' Responsibilities Statement set out on pages 80 to 81, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's Members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

David Neale (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London E14 5GL
United Kingdom
12 June 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 £'000	2016 £'000
<i>Continuing operations</i>			
Revenue	1	740,290	744,732
Cost of sales		(609,859)	(620,858)
Gross profit		130,431	123,874
Distribution expenses		(21,116)	(21,424)
Share incentive scheme charges		(101)	(36)
Total distribution expenses		(21,217)	(21,460)
Administrative expenses		(55,195)	(52,355)
Share incentive scheme charges		(1,084)	(2,479)
Amortisation of energy supply contract intangible		(11,228)	(11,228)
Total administrative expenses		(67,507)	(66,062)
Other income		449	397
Operating profit	1,2	42,156	36,749
Financial income		89	126
Financial expenses		(1,378)	(1,801)
Net financial expense		(1,289)	(1,675)
Profit before taxation		40,867	35,074
Taxation	4	(10,424)	(8,909)
Profit for period		30,443	26,165
<i>Discontinued operations</i>			
Profit for period from associate	8	64,517	5,609
Profit and other comprehensive income for the year attributable to owners of the parent		94,960	31,774
Basic earnings per share			
<i>Continuing operations</i>		38.0p	32.8p
<i>Discontinued operations</i>		80.6p	7.0p
	16	118.6p	39.8p
Diluted earnings per share			
<i>Continuing operations</i>		37.8p	32.6p
<i>Discontinued operations</i>		80.1p	7.0p
	16	117.9p	39.6p

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2017

	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	5	31,117	33,063
Investment property	5	9,089	9,211
Intangible assets	6	190,575	198,364
Goodwill	7	3,742	3,742
Investments in associate	8	-	11,604
Other non-current assets	10	15,593	13,800
Total non-current assets		250,116	269,784
Current assets			
Inventories		2,676	2,762
Trade and other receivables	11	29,812	27,749
Prepayments and accrued income	11	98,320	97,233
Cash		18,732	35,343
Total current assets		149,540	163,087
Total assets		399,656	432,871
Current liabilities			
Deferred consideration	13	-	(21,500)
Trade and other payables	13	(24,608)	(26,580)
Current tax payable		(5,407)	(936)
Accrued expenses and deferred income	14	(111,322)	(114,583)
Total current liabilities		(141,337)	(163,599)
Non-current liabilities			
Long term borrowings	12	-	(70,152)
Deferred tax	9	(605)	(839)
Total non-current liabilities		(605)	(70,991)
Total assets less total liabilities		257,714	198,281
Equity			
Share capital	15	4,024	4,016
Share premium		138,642	137,729
Treasury shares	15	(760)	(760)
JSOP reserve		(1,150)	(1,150)
Retained earnings		116,958	58,446
Total equity		257,714	198,281

These accounts were approved and authorised for issue by the Board on 12 June 2017

Andrew Lindsay
Nick Schoenfeld

Director
Director

COMPANY BALANCE SHEET

AS AT 31 MARCH 2017

	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	5	31,117	33,063
Investment property	5	9,089	9,211
Intangible assets	6	3,439	-
Investments in associate	8	-	2,294
Investments in subsidiary undertakings	8	227,097	227,097
Other non-current assets	10	9,528	11,547
Total non-current assets		280,270	283,212
Current assets			
Inventories		2,600	2,762
Trade and other receivables	11	12,476	14,033
Prepayments and accrued income	11	8,023	7,159
Cash		18,368	35,002
Total current assets		41,467	58,956
Total assets		321,737	342,168
Current liabilities			
Deferred consideration	13	-	(21,500)
Trade and other payables	13	(41,278)	(43,937)
Current tax payable		(5,405)	(938)
Accrued expenses and deferred income	14	(9,462)	(8,712)
Total current liabilities		(56,145)	(75,087)
Non-current liabilities			
Long term borrowings	12	-	(70,152)
Deferred tax	9	(609)	(845)
Total non-current liabilities		(609)	(70,997)
Total assets less total liabilities		264,983	196,084
Equity			
Share capital	15	4,024	4,016
Share premium		138,642	137,729
Treasury shares	15	(760)	(760)
Retained earnings		123,077	55,099
Total equity		264,983	196,084

These accounts were approved and authorised for issue by the Board on 12 June 2017

Andrew Lindsay
Nick Schoenfeld

Director
Director

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Operating activities				
Profit before taxation – continuing operations	40,867	35,074	38,256	55,987
Adjustments for:				
Distributions from subsidiary companies	-	-	-	(20,000)
Net financial expense	1,289	1,675	1,320	1,675
Depreciation of property, plant and equipment	3,203	3,596	3,203	3,596
Profit on disposal of fixed assets	(21)	(12)	(21)	(12)
Amortisation of intangible assets	12,088	11,228	860	-
Amortisation of debt arrangement fees	229	985	229	985
Decrease/(increase) in inventories	86	(1,869)	162	(1,869)
(Increase)/decrease in trade and other receivables	(4,084)	8,202	3,570	(1,459)
(Decrease)/increase in trade and other payables	(5,241)	1,206	(473)	(145)
Decrease in inter-company payable	-	-	(1,443)	(2,321)
Share incentive scheme charges	1,185	2,515	1,185	2,515
Corporation tax paid	(6,190)	(8,755)	(3,429)	(5,190)
Net cash flow from operating activities	43,411	53,845	43,419	33,762
Investing activities				
Purchase of property, plant and equipment	(2,066)	(4,080)	(2,066)	(4,080)
Purchase of intangible assets	(3,406)	-	(3,406)	-
Disposal of property, plant and equipment	60	22	60	22
Payment of deferred consideration	(21,500)	-	(21,500)	-
Distributions from subsidiary companies	-	-	-	20,000
Disposal of associated company	71,103	-	71,103	-
Distribution from associated company	5,074	5,474	5,074	5,474
Purchase of shares in associated company	(55)	(626)	(55)	(626)
Interest received	91	115	46	114
Cash flow from investing activities	49,301	905	49,256	20,904
Financing activities				
Dividends paid	(37,633)	(34,331)	(37,633)	(34,331)
Interest paid	(1,370)	(2,202)	(1,356)	(2,202)
Drawdown of long term borrowing facilities	-	71,241	-	71,241
Repayment of long term borrowing facilities	(71,241)	(70,000)	(71,241)	(70,000)
Fees associated with long term borrowing facilities	-	(1,147)	-	(1,147)
Issue of new ordinary shares	921	496	921	496
Cash flow from financing activities	(109,323)	(35,943)	(109,309)	(35,943)
(Decrease)/increase in cash and cash equivalents	(16,611)	18,807	(16,634)	18,723
Net cash and cash equivalents at the beginning of the year	35,343	16,536	35,002	16,279
Net cash and cash equivalents at the year end	18,732	35,343	18,368	35,002

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

Consolidated	Share capital £'000	Share premium £'000	Treasury shares £'000	JSOP reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2015	4,011	137,238	(760)	(2,275)	58,106	196,320
Profit and total comprehensive income	-	-	-	-	31,774	31,774
Dividends	-	-	-	-	(34,331)	(34,331)
Credit arising on share options	-	-	-	-	1,224	1,224
Credit arising on exercise of JSOP	-	-	-	1,125	1,673	2,798
Issue of new ordinary shares	5	491	-	-	-	496
Balance at 31 March 2016	4,016	137,729	(760)	(1,150)	58,446	198,281
Profit and total comprehensive income	-	-	-	-	94,960	94,960
Dividends	-	-	-	-	(37,633)	(37,633)
Credit arising on share options	-	-	-	-	1,185	1,185
Issue of new ordinary shares	8	913	-	-	-	921
Balance at 31 March 2017	4,024	138,642	(760)	(1,150)	116,958	257,714

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

Company	Share capital £'000	Share premium £'000	Treasury shares £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2015	4,011	137,238	(760)	31,019	171,508
Profit and total comprehensive income	-	-	-	54,389	54,389
Dividends	-	-	-	(34,331)	(34,331)
Credit arising on share options	-	-	-	1,224	1,224
Credit arising on JSOP exercise	-	-	-	2,798	2,798
Issue of new ordinary shares	5	491	-	-	496
Balance at 31 March 2016	4,016	137,729	(760)	55,099	196,084
Profit and total comprehensive income	-	-	-	104,426	104,426
Dividends	-	-	-	(37,633)	(37,633)
Credit arising on share options	-	-	-	1,185	1,185
Issue of new ordinary shares	8	913	-	-	921
Balance at 31 March 2017	4,024	138,642	(760)	123,077	264,983

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

GENERAL INFORMATION

Telecom Plus PLC (the 'Company') is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 March 2017 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates.

The financial statements were authorised for issue by the directors on 12 June 2017.

PRESENTATION OF FINANCIAL STATEMENTS

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

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

SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of preparation

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 35. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 20 to 24 and within notes 12 and 19 to the financial statements. In addition, notes 15 and 19 include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

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

The Company has from Barclays Bank PLC and Lloyds Bank PLC total revolving credit facilities of £150.0 million for the period to 14 December 2020 of which £Nil was drawn down as at 31 March 2017 (2016: £71.2 million drawn down).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation (continued)

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

Post balance sheet events

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

Critical accounting estimates, judgements and assumptions

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

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

(i) Revenue recognition

Revenue relating to the sale of energy includes an estimate of the value of electricity or gas supplied to customers between the date of the last meter reading and the year end. This will have been estimated by using historical consumption patterns, prevailing weather data and other industry information.

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

(ii) Intangible assets – Energy Supply Contract

The Group energy supply contract intangible assets relate to the entering into of the energy supply arrangements with Npower on improved commercial terms through the acquisition by the Company of Electricity Plus Supply Limited and Gas Plus Supply Limited from Npower Limited having effect from 1 December 2013. The valuation of intangible assets represents a significant area of judgment as certain key assumptions are required in relation to the future financial performance of the assets. Further detail regarding intangible assets is set out in note 6.

(iii) Trade receivables

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

(iv) Share incentive scheme charges

The Group has a conventional share option scheme for employees and Directors. The fair value of share options is estimated by using the Binomial valuation model on the date of grant based on certain assumptions. The assumptions used in the valuations are described in note 18 and include, amongst others, the dividend yield, expected volatility, expected life of the options and number of options expected to vest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Metering contracts

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

By virtue of section 408 of the Companies Act 2006 the Company is exempt from presenting a statement of comprehensive income. The Company made a profit for the year of £104,426,000 (2016: £54,389,000 including dividends received from subsidiary companies of £20,000,000).

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

- Annual Improvements to IFRSs 2012-2014 Cycle.
- Amendments to IAS 1: Presentation of financial statements, related to the disclosure initiative.

(c) Basis of consolidation

(i) Subsidiaries

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

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

(ii) Associates

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

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate are not recognised. The Company's investment in associate Opus Energy Group Limited was sold during the year.

(iii) Employee Benefit Trusts

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue

Overview

Revenue is the value of goods and services supplied to external customers and independent distributors excluding value added tax and other sales related taxes. For each of the Group's main income streams from the provision of fixed line telephony, broadband, mobile telephony, gas and electricity services, transactions are recorded as sales in the month when the provision of those services or the supply of goods takes place. The Group's customers are invoiced in the month following that in which the services are provided.

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

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

Revenue recognition – Energy services

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

Revenue recognition – Telephony services

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

Revenue recognition – Other services

The Group also generates revenues from providing Members with bill protection cover, and CashBack cards. In addition the Group generates revenues from providing services to its network of independent distributors. Revenue is recognised during the period in which the services are supplied and any unbilled revenue is accrued at each period end.

(e) Distributor commissions

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

(f) Financial income and expenses

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leases

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

(h) Hire purchase agreements

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

(i) Taxation

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

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

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

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

(j) Property, plant and equipment

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

Freehold buildings	50 years
Freehold and leasehold improvements	3 to 25 years
Plant and machinery	15 years
Fixtures, fittings and office equipment	
- Fixtures and fittings	7 to 10 years
- Computer and office equipment	3 to 5 years
Motor vehicles	4 years

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

(k) Investment properties

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Intangible assets

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

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

(m) Goodwill

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

(n) Impairment

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

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

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

(o) Investments

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

(p) Inventories

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

(q) Financial instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(r) Trade receivables

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

(s) Cash and cash equivalents

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

(t) Borrowings

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

(u) Trade payables

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

(v) Share based payments

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

(w) Segmental reporting

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

(x) Provisions

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

(y) Pensions

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

(z) Dividends

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) New standards issued but not yet effective

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

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

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

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

IFRS 15: Revenue from contracts with customers

IFRS 15 was issued in May 2014 and subsequent amendments, "Clarifications to IFRS 15", were issued in April 2016. IFRS 15, as amended, is effective for accounting periods beginning on or after 1 January 2018; it has not yet been adopted by the EU.

The impact of IFRS 15 on the Group's reporting of revenue and costs is currently being assessed. Initial work has indicated that the following areas, inter alia, may also be impacted by IFRS 15:

- Under IFRS 15, certain incremental costs incurred in acquiring a contract with a customer may be deferred on the balance sheet and amortised as revenue is recognised under the related contract; this could generally lead to the later recognition of charges for certain commissions payable to third party independent distributors.
- Certain costs incurred in fulfilling customer contracts may be deferred on the balance sheet under IFRS 15 and recognised as related revenue is recognised under the contract. Such deferred costs could be related to the provision of deliverables (other than mobile handsets) to customers that do not qualify as performance obligations and for which revenue is not recognised; currently such costs are generally expensed as incurred.

The Group is continuing to assess the impact of these and other accounting changes that will arise under IFRS 15; however, the changes highlighted above may have an impact on the consolidated income statement and consolidated statement of financial position after the Group adopts IFRS 15 on 1 April 2018.

When IFRS 15 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or with the cumulative retrospective impact of IFRS 15 applied as an adjustment to equity on the date of adoption; when the latter approach is applied it is necessary to disclose the impact of IFRS 15 on each line item in the financial statements in the reporting period.

In respect of IFRS 9 and IFRS 16 exercises are underway to assess the impacts that these standards will have on the Group's assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SEGMENT REPORTING

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

- Customer Acquisition; and
- Customer Management.

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

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

Operating segments – continuing operations

	Year ended 31 March 2017			Year ended 31 March 2016 (restated)		
	Customer Management £'000	Customer Acquisition £'000	Total £'000	Customer Management £'000	Customer Acquisition £'000	Total £'000
Revenue	722,748	17,542	740,290	727,936	16,796	744,732
Segment result	60,445	(18,289)	42,156	51,305	(14,556)	36,749
Operating profit			42,156			36,749
Net financing expense			(1,289)			(1,675)
Profit before taxation			40,867			35,074
Taxation			(10,424)			(8,909)
Profit for the year from continuing operations			30,443			26,165
Segment assets	390,639	9,017	399,656	411,292	9,975	421,267
Investment in associates	-	-	-	11,604	-	11,604
Total assets	390,639	9,017	399,656	422,896	9,975	432,871
Segment liabilities	(138,850)	(3,092)	(141,942)	(231,553)	(3,037)	(234,590)
Net assets			257,714			198,281
Capital expenditure	(5,343)	(129)	(5,472)	(3,988)	(92)	(4,080)
Depreciation	3,127	76	3,203	3,515	81	3,596
Amortisation	12,088	-	12,088	11,228	-	11,228

Statutory operating profit is stated after deducting share incentive scheme charges (£1.2m) and the amortisation of the energy supply contract intangible asset (£11.2m). It also includes a one-off recovery of £4.2m of costs incurred in prior years relating to the smart meter rollout programme under our energy supply agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SEGMENT REPORTING (CONTINUED)

Revenue by service

	2017 £'000	2016 £'000
Customer Management		
- Electricity	310,370	313,689
- Gas	265,822	273,889
- Fixed communications	106,653	102,085
- Mobile	27,500	24,434
- Other	12,403	13,839
	722,748	727,936
Customer Acquisition	17,542	16,796
	740,290	744,732

The Group operates solely in the United Kingdom.

2. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2017 £'000	2016 £'000
Depreciation and amortisation	15,291	14,824
Profit on disposal of fixed assets	(21)	(12)
Operating lease rentals - land and buildings	101	150
Auditor's remuneration - audit of Company and consolidated accounts	136	124
- audit of subsidiaries of the Company	40	39
- audit related assurance services	29	31
- other services	103	-
Inventories expensed	18,159	14,538
Receivables and accrued income impairment cost	7,827	8,398
Recovery of smart meter rollout costs previously incurred	(4,188)	-
Rental income	(449)	(397)

Total fees paid to the auditor KPMG LLP during the year were £308,000 (2016: £194,000), including non-audit services of £132,000 (2016: £31,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PERSONNEL EXPENSES

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

	2017	2016
	£'000	£'000
Wages and salaries	31,501	27,495
Social security costs	3,084	2,649
Pension contributions	674	654
	35,259	30,798
Share incentive scheme charges	1,084	2,479
	36,343	33,277

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

	2017	2016
Customer Acquisition	123	109
Customer Management	926	799
	1,049	908

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. TAXATION

(i) Recognised in the Statement of Comprehensive Income

	2017 £'000	2016 £'000
Current tax charge		
Current year	10,739	9,673
Adjustments for prior years	(81)	(1,052)
	10,658	8,621
Deferred tax charge		
Decelerated capital allowances	96	296
(Reduction)/increase in respect of share options	(300)	9
Reduction in rate of future taxes	(47)	(60)
Adjustment for prior years	17	43
	(234)	288
Total tax charge	10,424	8,909

(ii) Reconciliation of total tax charge

	2017 £'000	2016 £'000
Profit before tax – continuing operations	40,867	35,074
Profit for period from associate – discontinued operations	64,517	5,609
Accounting profit before tax	105,384	40,683
Corporation tax using the UK corporation tax rate of 20% (2016: 20%)	21,077	8,136
Expenses not deductible for taxation purposes	2,614	2,548
Adjustment in respect of share options	(288)	433
Share of associate's tax charge	(440)	(1,122)
Income not taxable for tax purposes - disposal of Opus	(12,464)	-
Reduction in rate of future taxes	(11)	(77)
Adjustments in respect of prior years - current tax	(81)	(1,052)
- deferred tax	17	43
Total tax charge	10,424	8,909

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

The gain on disposal of Opus is not taxable income for tax purposes as it is eligible for the substantial shareholding exemption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. PROPERTY, PLANT AND EQUIPMENT

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

IT software and web development assets previously included in Fixtures, fittings and office equipment have been transferred to intangible assets (see note 6).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Investment property £'000	Freehold land & buildings £'000	Freehold & leasehold improvements £'000	Assets under construction £'000	Plant & machinery £'000	Fixtures, fittings & office equipment £'000	Motor vehicles £'000	Total £'000
Group and Company								
2016								
Cost								
At 1 April 2015	-	15,774	713	22,723	1,043	9,622	451	50,326
Transfers – Investment property	12,593	(9,019)	(8)	-	(1,044)	(2,522)	-	-
Transfers – Assets under construction	-	20,322	-	(23,704)	638	2,744	-	-
Additions	85	275	45	981	52	1,561	1,081	4,080
Disposals	-	-	-	-	-	-	(11)	(11)
At 31 March 2016	12,678	27,352	750	-	689	11,405	1,521	54,395
Depreciation								
At 1 April 2015	-	(940)	(577)	-	(406)	(6,348)	(255)	(8,526)
Transfers – Investment property	(3,192)	858	4	-	441	1,889	-	-
Charge for the year	(275)	(906)	(58)	-	(79)	(2,108)	(170)	(3,596)
Disposals	-	-	-	-	-	-	1	1
At 31 March 2016	(3,467)	(988)	(631)	-	(44)	(6,567)	(424)	(12,121)
Net book amounts								
At 31 March 2016	9,211	26,364	119	-	645	4,838	1,097	42,274
At 31 March 2015	-	14,834	136	22,723	637	3,274	196	41,800

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. INTANGIBLE ASSETS

	Energy Supply Contract £'000	IT Software & Web Development £'000	Total £'000
Cost			
At 1 April 2016	224,563	-	224,563
Transfers from property, plant & equipment	-	2,165	2,165
Additions	-	3,406	3,406
At 31 March 2017	224,563	5,571	230,134
Amortisation			
At 1 April 2016	(26,199)	-	(26,199)
Transfers from property, plant & equipment	-	(1,272)	(1,272)
Charge for the period	(11,228)	(860)	(12,088)
At 31 March 2017	(37,427)	(2,132)	(39,559)
Net book amount at 31 March 2017	187,136	3,439	190,575
Net book amount at 31 March 2016	198,364	-	198,364

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

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

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

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

The Board regularly monitors the carrying amount of the intangible assets. A review was undertaken at 31 March 2017 to assess whether the carrying amount of intangible assets was supported by their value in use determined by the net present value of the future cash flows derived from the assets using cash flow projections based on current levels of profitability.

A post-tax discount rate of 7.0% was used which was considered appropriate given the expectation that, for term of the contract, the Group will continue to derive significant value from supplying energy to its customers. The result of the review undertaken at 31 March 2017 indicated that no impairment was necessary. No reasonably possible change in the assumptions used in the impairment calculation would give rise to an impairment of intangible assets.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. GOODWILL

	£'000
Group	
2017	
Cost	
At 1 April 2016 and 31 March 2017	4,558
Impairment	
At 1 April 2016 and 31 March 2017	816
Carrying amounts	
At 31 March 2017	3,742
2016	
Cost	
At 1 April 2015 and 31 March 2016	4,558
Impairment	
At 1 April 2015 and 31 March 2016	816
Carrying amounts	
At 31 March 2016	3,742
At 31 March 2015	3,742

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

The Group regularly monitors the carrying amount of its goodwill. A review was undertaken at 31 March 2017 to assess whether the carrying amount of assets was supported by their value in use determined by the net present value of the future cash flows derived from the assets using cash flow projections based on current levels of profitability.

A post-tax discount rate of 10% into perpetuity was used which was considered appropriate given the relatively small size of the business and the expectation that, for the foreseeable future, TML will continue to operate as a going concern. However, no growth has been assumed in the review given the relative maturity of the business. The result of the review undertaken at 31 March 2017 indicated that no impairment was necessary. No reasonably possible change in the assumptions used in the impairment calculation would give rise to an impairment of goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INVESTMENTS

Fixed asset investments

The investment in the associate represented the cost of purchasing a 20% (2016: 20%) equity interest in the ordinary share capital of Opus Energy Group Limited ('Opus'), together with the Group's share of retained reserves. The Company's 20% investment in Opus was sold on 10 February 2017 for £71,102,650. The Group profit on disposal of Opus was £62,317,458 and the share of Opus profit for the period up to disposal was £2,200,000; these figures have been presented as discontinued operations in the Consolidated Statement of Comprehensive Income given the nature of Opus, as a supplier of energy to the corporate market, being substantially different to the continuing operations of the Company. No tax will be paid on the disposal as it is eligible for the substantial shareholding exemption.

Associated undertaking

	2017 £'000	2016 £'000
Associated undertaking		
Cost		
At 1 April	2,294	1,668
Additions	55	626
Disposals	(2,349)	-
At 31 March	-	2,294
Share of profit		
At 1 April	9,310	9,175
Share of profit after taxation for the year	2,200	5,609
Dividends received in the year	(5,074)	(5,474)
Disposals	(6,436)	-
At 31 March	-	9,310
Carrying amounts		
At 31 March	-	11,604

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INVESTMENTS (CONTINUED)

Associated undertaking

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

	Period to 10 Feb 2017 £'000	Year to 31 Mar 2016 £'000
Non-current assets	5,552	4,822
Current assets	203,395	129,942
Cash and cash equivalents	6,482	22,310
Total assets	215,429	157,074
Current liabilities	(172,832)	(104,586)
Total liabilities	(172,832)	(104,586)
Net assets	42,597	52,488
Revenue	549,322	571,985
Depreciation and amortisation	(993)	(926)
Net interest	(532)	(415)
Other expenses	(534,693)	(535,566)
Total expenses	(536,218)	(536,907)
Profit before tax	13,104	35,078
Taxation	(2,104)	(7,035)
Profit after tax	11,000	28,043

Investment in subsidiary companies

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INVESTMENTS (CONTINUED)

The cost of investment in subsidiary undertakings represents capitalised transaction costs of approximately £3.6 million and the total consideration for the entering into of the new energy supply arrangements with Npower through the acquisition of Electricity Plus and Gas Plus, comprising a cash payment to Npower of £196.5 million on 20 December 2013, a deferred cash amount of £21.5 million paid on 20 December 2016 and a cash payment of £2.5 million made in January 2014 for the net assets acquired in Electricity Plus and Gas Plus which comprised cash and short term working capital balances. The cost of investment in subsidiary undertakings also includes the £2.9 million opening intangible asset which related to the preceding energy supply agreement with Npower entered into in May 2011.

As at 31 March 2017, the Company also owned 100% of the ordinary share capital of nine dormant non-trading subsidiaries as listed below:

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

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

The Company also has an investment in the JSOP Share Trust. Included within Company Trade and other receivables is a loan receivable from the JSOP Share Trust of £2,275,000 (2016: £2,275,000), which represents the maximum exposure to loss from its interest in the JSOP Share Trust.

9. DEFERRED TAX

Deferred tax recognised in the financial statements is as follows:

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Tax effect of temporary differences:				
Accelerated capital allowances	(1,212)	(1,166)	(1,216)	(1,172)
Other short term temporary differences	14	16	14	16
Employee benefits expected in excess of amount expensed	593	311	593	311
	(605)	(839)	(609)	(845)
	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
At 1 April	(839)	(551)	(844)	(561)
Charged to the Statement of Comprehensive Income	234	(288)	235	(284)
At 31 March	(605)	(839)	(609)	(845)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. OTHER NON-CURRENT ASSETS

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Hire purchase agreements receivable	3,174	3,330	-	3,330
Loan to JSOP Share Trust	-	-	2,275	2,275
Trade receivables	7,523	7,020	2,705	2,492
Other non-current receivables	4,036	3,450	3,688	3,450
Total non-current receivables	14,733	13,800	8,668	11,547
Unamortised bank loan arrangement fees	860	-	860	-
Total other non-current assets	15,593	13,800	9,528	11,547

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

11. RECEIVABLES AND ACCRUED INCOME

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade and other receivables	29,812	27,749	12,476	14,033
Current tax receivable	-	-	-	-
Trade and other receivables	29,812	27,749	12,476	14,033
Accrued income	93,442	94,009	3,962	4,533
Prepayments	4,878	3,224	4,061	2,626
Prepayments and accrued income	98,320	97,233	8,023	7,159
Trade and other receivables	29,812	27,749	12,476	14,033
Accrued income	93,442	94,009	3,962	4,533
Receivables and accrued income (net)	123,254	121,758	16,438	18,566

Gross accrued income of £94,466,000 (2016: £95,058,000) includes March revenue invoiced in April of £54,216,000 (2016: £56,313,000), unbilled energy debtors of £40,247,000 (2016: £38,738,000) and accrued income relating to property of £3,000 (2016: £7,000). Offset against this figure is an allowance for future credit losses of £1,024,000 (2016: £1,049,000), which is included in the allowance for credit losses of £16,271,000 (2016: £16,626,000). Other receivables include amounts due within one year relating to hire purchase agreements of £1,775,000 (2016: £2,451,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. RECEIVABLES AND ACCRUED INCOME (CONTINUED)

Allowance for credit losses on receivables and accrued income

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Allowances as at 1 April	16,626	17,236	4,288	4,754
Additions – charged to Statement of Comprehensive Income	7,827	8,398	2,132	3,173
Allowances used on fully written down receivables	(8,182)	(9,008)	(3,088)	(3,639)
Allowances as at 31 March	16,271	16,626	3,332	4,288

Analysis of receivables and accrued income

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Receivables and accrued income (gross)	139,525	138,384	19,770	22,854
Allowance for credit losses	(16,271)	(16,626)	(3,332)	(4,288)
Receivables and accrued income (net)	123,254	121,758	16,438	18,566

At 31 March 2017 and 31 March 2016 the Group had no trade receivables that were passed due and not individually impaired.

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

12. INTEREST BEARING LOANS AND BORROWINGS

Group and Company	2017	2016
	£'000	£'000
Bank loans	-	71,241
Unamortised bank loan arrangement fees	(860)	(1,089)
	(860)	70,152
Due within one year	-	-
Due after one year	-	71,241
	-	71,241

In December 2015 the Group entered into new five-year £150,000,000 revolving debt facilities with Barclays Bank PLC and Lloyds Bank PLC ('the Revolving Debt Facilities'). Interest is charged on the facilities in accordance with the schedule set out in the table below. As at 31 March 2017 the interest rate was LIBOR + 1.40%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

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

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

The Revolving Debt Facilities, when drawn down, are stated net of unamortised arrangement fees of £860,000 (2016: £1,089,000) on the face of the Balance sheet. These costs have been capitalised and are being amortised over the term of the Revolving Debt Facilities. At the year end the Revolving Debt Facilities were not drawn down and therefore the unamortised arrangement fees have been shown in non-current assets as set out in note 10.

In addition, as at 31 March 2017 the Company had letters of credit in place relating to certain energy distribution charges with a total value covered of £15,585,500 (2016: £12,340,500).

Maturity analysis

Group and Company	2017 £'000	2016 £'000
Bank loans		
Due in one year or less	-	-
Due in more than one year but not more than two years	-	-
Due in more than two years but not more than five years	-	75,409
	-	75,409

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Current				
Trade payables	19,373	20,773	3,713	4,042
Inter-company payables	-	-	34,023	35,466
Other taxation and social security	5,235	5,807	3,542	4,429
	24,608	26,580	41,278	43,937
Deferred consideration	-	21,500	-	21,500

14. ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Accrued expenses	110,328	113,684	8,672	8,037
Deferred income	994	899	790	675
	111,322	114,583	9,462	8,712

All accrued expenses are payable within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. CAPITAL AND RESERVES

Issued share capital – ordinary shares of 5p each

	2017		2016	
	Number ('000)	£'000	Number ('000)	£'000
Authorised share capital	160,000	8,000	160,000	8,000
Allotted, called up and fully paid share capital:				
At 1 April	80,317	4,016	80,221	4,011
Issue of new ordinary shares	171	8	96	5
At 31 March	80,488	4,024	80,317	4,016

At the year end the Company's share price was 1,197p and the range during the financial year was 819p to 1,255p.

At 31 March 2017, the Company had 80,487,892 (2016: 80,316,387) shares in issue. The total number of voting rights of 5p ordinary shares in the Company was 80,427,892 (2016: 80,256,387), excluding shares held in treasury. Since the year end, a further 53,612 shares have been issued to satisfy the exercise of distributor share options, increasing the total number of voting rights of 5p ordinary shares in the Company to 80,481,504.

As at 31 March 2017 there were 60,000 ordinary shares held in treasury (2016: 60,000).

There are 252,638 ordinary shares held in the JSOP Share Trust, representing approximately 0.3% of issued share capital, on which voting and dividend rights have been waived. These shares are included in the above total voting rights figure of 80,481,504. The JSOP reserve in the Group accounts represents ordinary shares in the Company held by the JSOP Share Trust.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 15.

15. CAPITAL AND RESERVES (CONTINUED)

Capital management

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

Total shareholder equity at 31 March 2017 was £257.7 million (2016: £198.3 million).

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

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

Dividends

	2017 £'000	2016 £'000
Prior year final paid 24p (2016: 21p) per share	19,205	16,734
Interim paid 23p (2016: 22p) per share	18,428	17,597

The Directors have proposed a final dividend of 25p per ordinary share totalling approximately £20.1 million, payable on 28 July 2017, to shareholders on the register at the close of business on 7 July 2017. In accordance with the Group's accounting policies the dividend has not been included as a liability as at 31 March 2017. This dividend will be subject to income tax at each recipient's individual marginal income tax rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. EARNINGS PER SHARE

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

	2017 £'000	2016 £'000
Earnings for the purpose of basic and diluted EPS	94,960	31,774
Share of profit related to associate (net of tax)	(64,517)	(5,609)
Earnings for the purpose of basic and diluted EPS - continuing operations	30,443	26,165
Share incentive scheme charges (net of tax)	968	2,278
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	42,639	39,671
	Number ('000s)	Number ('000s)
Weighted average number of ordinary shares for the purpose of basic EPS	80,073	79,789
Effect of dilutive potential ordinary shares (share incentive awards)	438	363
Weighted average number of ordinary shares for the purpose of diluted EPS	80,511	80,152
<i>Continuing operations</i>		
Adjusted basic EPS ¹	53.3p	49.7p
Basic EPS	38.0p	32.8p
<i>Continuing operations</i>		
Adjusted diluted EPS ¹	53.0p	49.5p
Diluted EPS	37.8p	32.6p

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. COMMITMENTS

Operating lease commitments

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

Company and Group

	2017 £'000	2016 £'000
Amounts payable:		
Less than one year	103	117
Between one and five years	68	193
	171	310

The principal lease arrangements relate to office premises.

Capital commitments

At 31 March 2017 the Company had capital commitments of approximately £76,000 (2016: £285,000).

Energy supply arrangements

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

In the event that the SSA is terminated by Npower in certain circumstances, including on a material breach by the Group or on the insolvency of the Company, additional consideration of up to £187 million may become payable by the Company to Npower. Full details of the termination provisions of the SSA were set out in paragraph 4 of Part VIII on page 38 of the prospectus issued to shareholders on 20 November 2013.

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

The amount of the additional consideration reduces from £187 million to £11 million over the remaining life of the supply agreement. Furthermore, depending on the circumstances giving rise to a termination event, the additional consideration (if payable) may be spread over the unexpired term of the supply agreement. Following any such termination event, the Group would have direct access to the wholesale energy markets and the opportunity to earn additional margin from sourcing energy directly for the Group's customer base.

18. SHARE-BASED PAYMENTS

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

All new employees who have passed the requisite probationary period are issued with market price options over shares in the Company, further options are also granted to existing employees depending on their seniority and length of service ('The Telecom Plus PLC 2007 Employee Share Option Plan'). The 2015 Employee SAYE Share Option Plan enables employees of the group to acquire shares in the Company in a tax efficient manner using monies saved from salary over a three or five year period. A summary of the principal terms of the SAYE Share Option Plan were set out in the Appendix to the 2015 AGM circular sent to all shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. SHARE-BASED PAYMENTS (CONTINUED)

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

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

	2017		2016	
	Number	Weighted average exercise price	Number	Weighted average exercise price
At 1 April	2,489,194	916p	2,269,104	991p
Options granted	583,236	1,101p	1,176,001	999p
Options exercised	(181,645)	574p	(103,813)	556p
Options lapsed/expired	(227,668)	1,085p	(852,098)	1,273p
At 31 March	2,663,117	965p	2,489,194	916p

The weighted average share price at the date of exercise for the options exercised during the year was 1,154.3p (2016: 1,063.3p).

During the current year ended 31 March 2017 and prior year ended 31 March 2016, the Group issued share options to employees and distributors on the occasions set out below.

Grant date	Share price at grant date (pence)	Exercise price (pence)	Expected volatility (%)	Option life (years)	Risk free rate (%)	Dividend yield (%)	Fair value per option (pence)
<i>2007 Employee Share Option Plan</i>							
13/07/2015	1,044	985	43.57	10	0.80	4.67	255
10/12/2015	1,085	1,074	46.47	10	0.65	4.28	316
22/07/2016	1,033	1,047	43.76	10	0.10	4.58	265
08/12/2016	1,187	1,209	39.31	10	0.32	3.97	299
<i>2015 Employee SAYE Share Option Plan</i>							
25/09/2015	1,070	1,058	46.31	3.5	0.79	4.35	269
15/08/2016	1,058	1,042	42.92	3.5	0.10	4.61	224
<i>2007 Networkers and Consultants Share Option</i>							
13/07/2015	1,044	985	43.57	10	0.80	4.67	255
10/12/2015	1,085	1,074	46.47	10	0.65	4.28	316
22/07/2016	1,033	1,047	43.76	10	0.10	4.58	265

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. SHARE-BASED PAYMENTS (CONTINUED)

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

	Number 1 April 2016	Number 31 March 2017	Exercise price per share	Exercisable from	Expiry date
2007 Employee Share Option Plan					
30 Aug 2007	14,335	4,811	171p	30 Aug 2010	29 Aug 2017
17 Jan 2008	17,000	5,500	198p	17 Jan 2011	16 Jan 2018
12 Jun 2008	25,070	10,050	330.5p	12 Jun 2011	11 Jun 2018
10 Dec 2008	3,800	3,720	340p	10 Dec 2011	9 Dec 2018
26 Jun 2009	38,220	34,770	278p	26 Jun 2012	25 Jun 2019
9 Dec 2009	3,000	3,000	305p	9 Dec 2012	8 Dec 2019
5 Jul 2010	50,207	33,010	338p	5 Jul 2013	3 Jul 2020
17 Dec 2010	15,990	10,040	442p	17 Dec 2013	16 Dec 2020
14 Jun 2011	157,330	140,780	603p	14 Jun 2014	11 Jun 2021
15 Dec 2011	44,360	22,060	774p	15 Dec 2014	14 Dec 2021
26 Jun 2012	112,854	79,904	828p	26 Jun 2015	25 Jun 2022
10 Dec 2012	57,800	39,600	878p	10 Dec 2015	9 Dec 2022
17 Jun 2013	97,300	88,500	1,219p	17 Jun 2016	16 Jun 2023
16 Dec 2013	16,500	9,500	1,739p	16 Dec 2016	15 Dec 2023
1 Jul 2014	328,750	322,500	1,337p	1 Jul 2017	30 Jun 2024
16 Dec 2014	34,500	22,500	1,254p	16 Dec 2017	15 Dec 2024
13 Jul 2015	932,100	827,600	985p	13 Jul 2018	12 Jul 2025
10 Dec 2015	116,500	94,750	1,074p	10 Dec 2018	9 Dec 2025
22 Jul 2016	-	342,500	1,047p	22 Jul 2019	21 Jul 2026
8 Dec 2016	-	169,370	1,209p	8 Dec 2019	7 Dec 2026
	2,065,616	2,264,465			
2015 Employee SAYE Share Option Plan					
25 Sep 2015	63,953	48,037	1,058p	1 Nov 2018	30 Apr 2019
15 Aug 2016	-	13,214	1,042p	1 Nov 2019	30 Apr 2020
	63,953	61,251			
Total employees	2,129,569	2,325,716			
Weighted average exercise price	969.9p	1,016.6p			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. SHARE-BASED PAYMENTS (CONTINUED)

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

	Number 1 April 2016	Number 31 March 2017	Exercise price per share	Exercisable from	Expiry date
2007 Networkers and Consultants Share Option Plan					
30 Aug 2007	6,000	6,000	171p	30 Aug 2010	29 Aug 2017
10 Dec 2008	15,250	12,250	340p	10 Dec 2011	9 Dec 2018
26 Jun 2009	9,000	6,000	278p	26 Jun 2012	25 Jun 2019
9 Dec 2009	7,350	5,350	305p	9 Dec 2012	8 Dec 2019
5 Jul 2010	145,088	137,247	338p	5 Jul 2013	3 Jul 2020
17 Dec 2010	6,687	6,404	442p	17 Dec 2013	16 Dec 2020
14 Jun 2011	3,000	3,000	603p	14 Jun 2014	11 Jun 2021
15 Dec 2011	11,000	7,000	774p	15 Dec 2014	14 Dec 2021
1 Jun 2012	53,000	49,000	721p	1 Jun 2015	31 May 2022
26 Jun 2012	10,000	8,000	828p	26 Jun 2015	25 Jun 2022
20 Nov 2012	24,000	21,400	854.5p	20 Nov 2015	19 Nov 2022
10 Dec 2012	17,000	16,000	878p	10 Dec 2015	9 Dec 2022
17 Jun 2013	5,000	5,000	1,219p	17 Jun 2016	16 Jun 2023
16 Dec 2013	2,000	2,000	1,739p	16 Dec 2016	15 Dec 2023
1 Jul 2014	7,900	7,900	1,337p	1 Jul 2017	30 Jun 2024
16 Dec 2014	6,000	6,000	1,254p	16 Dec 2017	15 Dec 2024
13 Jul 2015	29,850	29,850	985p	13 Jul 2018	12 Jul 2025
10 Dec 2015	1,500	1,500	1,074p	10 Dec 2018	9 Dec 2025
22 Jul 2016	-	7,500	1,047p	22 Jul 2019	21 Jul 2026
Total distributors	359,625	337,401			
Weighted average exercise price	594.7p	609.8p			

At 31 March 2017, a total of 769,896 share options were exercisable (2016: 847,341) at a weighted average exercise price of 660.8p (2016: 566.0p). The average remaining contractual life of the outstanding options was 7.1 years (2016: 7.4 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS

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

Carrying amounts of financial instruments

All financial assets, which include cash, trade and other receivables and accrued income, are classified as loans and receivables with a total value for the Group of £155,336,000 (2016: £169,444,000) and for the Company of £43,637,000 (2016: £65,201,000).

All financial liabilities, which include trade and other payables and accrued expenditure, are held at amortised cost with a total value for the Group of £135,421,000 (2016: £227,857,000) and for the Company £51,099,000 (2016: £140,930,000).

Credit risk

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

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

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

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

The maximum credit risk for the Group is £155,336,000 (2016: £169,444,000) and for the Company £43,637,000 (2016: £65,201,000).

Interest rate risk

The Group finances its day to day operations primarily through cash generated within the business. Cash surpluses are placed on deposit with Barclays Bank PLC and Lloyds Bank PLC at money market rates to maximise returns.

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

Commodity price risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

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

Foreign currency risk

The Group does not have any significant foreign currency exposure.

Interest rate and currency profile of financial assets and liabilities

All financial assets and liabilities are denominated in Sterling. Receivables due after one year include £3,683,000 (2016: £3,940,000) due mainly from distributors elements of which earn interest at varying rates above Base Rate.

Borrowing facilities

At 31 March 2017, the Group had total revolving credit facilities of £150,000,000 (2016: £150,000,000). These facilities are available to the Group until 14 December 2020. As at 31 March 2017 £Nil of the facilities was drawn down (2016: £71,241,000 drawn down). As at 31 March 2017 the Company also had letters of credit in place relating to certain energy distribution charges with a total value covered of £15,585,500 (2016: £12,340,500).

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

Fair values

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. RELATED PARTIES

Identity of related parties

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

Transactions with key management personnel

Directors of the Company and their immediate relatives control approximately 23.3% of the voting shares of the Company. No other employees are considered to meet the definition of key management personnel other than those disclosed in the Directors' Remuneration Report.

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

	2017 £'000	2016 £'000
Short-term employee benefits	1,475	1,377
Social security costs	196	184
Post-employment benefits	80	80
	1,751	1,641
Share incentive scheme charges	186	1,555
	1,937	3,196

During the year, the Company acquired goods and services worth approximately £130,000 (2016: £59,000) from companies in which directors have a beneficial interest. No amounts were owed to these companies by the Company as at 31 March 2017. During the year, the Company sold goods and services worth approximately £12,000 (2016: £33,000) to companies in which directors have a beneficial interest.

During the year directors purchased goods and services on behalf of the Company worth approximately £118,000 (2016: £161,000). The directors were fully reimbursed for the purchases and no amounts were owing to the directors by the Company as at 31 March 2017.

OTHER RELATED PARTY TRANSACTIONS

Associates

During the year ended 31 March 2017 up to the date of disposal on 10 February 2017, the associate supplied goods to the Group which amounted to £1,304,000 (2016: £1,371,000). Transactions with the associate are priced on an arm's length basis. Dividends received during the year from the associate amounted to £5,074,000 (2016: £5,474,000) relating to the financial year to 31 March 2016.

Subsidiary companies

During the year ended 31 March 2017, the Company's subsidiaries purchased goods and services from the Company in the amount of £61,235,000 (2016: £50,519,000). At 31 March 2017 the Company owed the subsidiaries £34,023,000 which is recognised within trade payables (2016: £35,466,000 owed by the Company to the subsidiaries).

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HOME PHONE



BROADBAND



MOBILE



GAS



ELECTRICITY