Company number 3263464

Telecom Plus PLC

Report and Accounts

Year ended 31 March 2015

Contents

Financial and Operating Highlights

- Revenue up 10.5% to £729.2 million
- Adjusted pre-tax profit up 22.5% to £52.2 million
- Statutory pre-tax profit up 21.3% to £42.1million
- Adjusted EPS up 9.3% to 53.0p
- Full year dividend up 14.3% to 40p
- Over 580,000 Members
- Service numbers increase by over 208,000 to 2.1 million
- Continuing strong organic growth in both services and Members
- Relocated to new headquarters, providing capacity for future growth
- Shortlisted by *Which?* for 'Best Telecom Services Company' in 2015 Annual Awards
- Public Champion in European Business Awards

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. Unlike our competitors, most calls at evenings and weekends are free of charge for all Members.

Mobile
With a wide choice of handsets and competitive tariffs, 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.

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

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.

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

Online Shopping
We have over 2,000 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 advertised extra discount as Cashback on their bill - irrespective of the means of payment they have chosen. We also help them to find the cheapest online supplier for any item they might be looking to purchase, with an exclusive search tool 'FindMeTheCheapest'.

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. That's why we can make our 'Double the Difference' price promise.

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 benefit

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

93% customer satisfaction

Friendly, fair, ethical – no other utility supplier achieves the same level of trust as we do. In fact, surveys have shown us to be the Nation's 'most trusted'. People come to us because family and friends recommend us. Which? magazine recommends us too – time and time again.

Chairman's Statement

I am delighted to report another successful year for the Company with revenues, profits, earnings and dividends all reaching record levels.

This has been achieved in the face of the most competitive trading conditions we have yet seen, where a sustained fall in wholesale energy prices over the last 18 months and aggressive promotional activity by a number of new entrants into the energy market (who are not carrying the burden of energy hedged at historically higher prices), has combined to create a record gap between the introductory fixed price deals available to those who switch, and the standard variable tariffs paid by the vast majority of domestic consumers; this has been exacerbated by an industry-wide tendency (excluding ourselves) to use the higher margins earned on legacy customers to help fund such introductory deals. We are strongly opposed to customers being exploited in this way, and there is a widespread expectation that this issue will be addressed in due course through a combination of regulatory intervention (either as part of the CMA review of the energy industry whose report is expected this summer, or by Ofgem), and by reductions in standard variable tariffs as larger suppliers reflect the prevailing lower level of commodity costs.

Against this background, the continued strong organic growth we have delivered in both service numbers and the size of our membership base over the last year is a clear and positive endorsement of our unique business model. We remain on track to achieve our medium term target of one million households, although it is now apparent that our path towards this destination will not be in a straight line; growth will be higher during periods when market conditions are favourable, and slower when (as currently) the competitive environment is more challenging.

On 16 April 2015 the Company informed shareholders that a detailed review of the unbilled energy debtor on our balance sheet had revealed that our share of the industry-wide leakage within the national gas distribution network had been running at a significantly higher level than we had previously provided against. The resultant £11m write-down of this current asset on our balance sheet (net of anticipated tax credits), although a non-cash item, has reduced both historic and current reported earnings, and is extremely disappointing given the strong underlying performance of the business over the last year, and our exciting prospects for future profitable organic growth.

Results overview

Adjusted pre-tax profits increased by 22.5% to £52.2m (2014: £42.6m) on revenue up by 10.5% to £729.2m (2014: £659.7m); adjusted earnings per share for the year rose by 9.3% to 53.0p (2014: 48.5p).

The increase in profitability reflects the consistent organic growth we have achieved over the last two years, combined with a full year's additional margin contribution from the new supply arrangements with Npower which we entered into in December 2013, partially offset by writing off the higher costs associated with leakage within the national gas distribution network than had previously been expected.

Revenue growth was constrained by a fall in average energy consumption within our domestic membership base compared with the previous year, reflecting both milder weather and the progressive impact of the energy efficiency measures that have been delivered by the industry over the last few years; this impact was exacerbated by lower average energy prices during the year following the price reductions we implemented in early 2014 and early 2015.

We remain encouraged by the continuing organic growth in the number of services we are providing through our Utility Warehouse brand, which reached 2,093,447 (2014: 1,884,694) by the year end – an increase of more than 200,000 services during the year. This growth has been broadly spread across all our core services (Gas, Electricity, Home Phone, Mobile and Broadband) with 58,753 (2014: 40,544) residential Members now taking all five of these services from us out of a total of 66,898 with our 'Double Gold' bundle. This takes our 'Double Gold' penetration up to around 12% of our residential membership base - a 44% increase in the number of Members taking this premium bundle over the last 12 months.

In line with previous guidance, we are proposing a final dividend of 21p (2014: 19p), bringing the total for the year to 40p (2014: 35p); this represents an increase of 14% compared with last year. We remain committed to a progressive dividend policy consistent with the underlying strong cash generation of our business.

We were delighted to receive a number of further endorsements from *Which?* and MoneyWise during the year recognising both the value we offer and the quality of service provided by our UK based membership service team, including being ranked as one of the top three suppliers in all the surveys we were featured in, and being shortlisted as 'Best Telecom Services Provider' at their 2015 Annual Awards. This is a reflection of the continuing focus and significant ongoing resources invested into delivering the best possible service to our Members, consistent with securing our position as the Nation's most trusted utility supplier.

Our share of the profits from Opus Energy Group Limited ("Opus"), in which we maintain a 20% stake, increased during the year to £6.0m (2014: £4.7m). This business continues to trade strongly, and we anticipate our contribution for the coming year will remain at a broadly similar level, before moving forward again in 2017.

Business Development

Our commitment to being the Nation's most trusted utility supplier and to treating our Members fairly makes it inappropriate for us to adopt the same marketing strategies as our competitors, who combine cheap introductory deals for new customers with much higher tariffs charged to their loyal existing customer base who do not appreciate the extent to which they are being exploited.

This approach has become increasingly prevalent across the market for all the services we offer. Introductory standard broadband deals offering up to 18 months free, compared with a monthly charge of up to £20 (or more) for existing loyal customers; new mobile tariffs with larger inclusive allowances and lower monthly charges, that existing customers cannot switch to without paying substantial penalties; and in domestic energy markets, one-year fixed term introductory deals have emerged that are up to £400 cheaper than the standard variable tariffs available from the same supplier. They are all competing for market share using the same distribution channels (direct marketing campaigns and price comparison websites), where the primary means of differentiating themselves from each other is the headline price of the introductory deal they are offering.

This is not only fundamentally unfair on existing loyal customers, but unlikely 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 must have a higher propensity to do so again when their introductory deal expires.

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. Accordingly, we don't offer heavily discounted one-year introductory energy deals to new Members, and with all our telephony services (landline, broadband and mobile), both new and existing Members pay exactly the same prices for identical packages.

Our bad debt charge for the year remained low, even though a significant number of new Members joined during the year, and delinquency levels (which are a useful lead indicator of future bad debt) saw a further small reduction over the course of the year reflecting the improving quality of our membership base.

Route to Market

Significant numbers of new Partners joined the business during the year, taking the total number of registered Partners at the year end to a record high of 49,539 (2014: 44,056). Although many of these will not be active on a regular basis, this continuing high level of interest reflects the growing awareness of our brand and the attractiveness of the secure part-time additional income opportunity we offer.

We continue to invest in improving the personal development programme we offer, free of charge, to both new and existing Partners. This is designed to help them gather Members more effectively and build a growing long-term residual income.

It is encouraging that notwithstanding the absence of 'loss leader' introductory deals for new Members, the combined impact of an improved online training course and a revised incentive structure means that a higher proportion of new Partners are making a successful start to building their Utility Warehouse business than we were seeing during the comparable period last year. Improving the effectiveness of new Partners remains a core focus for the business, and we have recently been trialling a new approach to classroom training; this has delivered encouraging results, and we will be rolling this out across the UK next month.

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

A record number of Partners attended our annual sales conference in March, where we made some important changes to our membership proposition designed to help them build their businesses more effectively. These included discontinuing our previous introductory offer of six months free broadband for all new Members taking our 'Gold Talk' and 'Double Gold' bundles, and replacing it with a two-year fixed price energy tariff and choice from a range of new optional extra benefits; these are only available to owner-occupiers, and on identical terms to both new and existing Members.

This decision was driven by the significant difference in churn rates (and hence the length of time they can be expected to remain a Member) between different segments of our membership base, which makes it logical to invest more in attracting and keeping the most valuable types of Member, and to reduce our investment where the expected membership lifetime value is lower.

This removal of up-front incentives has obviously not made it easier for our Partners to sign-up new Members, within a competitive environment where other suppliers have adopted a diametrically opposite strategy of putting as much value as possible into short-term introductory deals. Against this background, it is pleasing that our Partners continue to identify substantial numbers of households who can make significant savings by switching to us, and who empathise with our core messages of treating our Members fairly, delivering consistently good value and providing great service – albeit that absolute growth in the number of new Members is currently running below our target run-rate for the year as a whole.

Partner recruitment levels remain solid, and we look forward to the positive impact on activity levels which should be created by our new skills-based training programme being introduced shortly.

Energy Prices

Within the energy sector as a whole, significant investment is needed over the next decade to renew and extend the distribution network, replace nuclear and coal-fired generating plant that is approaching the end of its useful life, roll out smart meters, and encourage the take up of energy efficiency and renewable energy programmes. The costs associated with delivering these initiatives are likely to put continued upward pressure on retail energy prices in due course, although in the shorter term we anticipate these will be more than offset by lower wholesale energy commodity prices, which have fallen significantly over the last 18 months, and will steadily be reducing the average hedge book costs for all major suppliers.

Regulatory

The Competition and Markets Authority has been carrying out a detailed review of the domestic energy market, and its initial findings are expected to be announced shortly. We welcome its focus on ensuring that competition amongst suppliers is working in the best interests of consumers, and look forward to hearing its proposals for protecting those on standard variable tariffs across the industry whose inertia is being exploited by their existing supplier and used to cross-subsidise introductory fixed price deals aimed at those who are switching.

We will shortly be starting to roll-out the installation of smart meters for our Members in line with our obligations to ensure all domestic energy meters are replaced by the target completion date in 2020. However, the continuing delays in finalising the specification of SMETS2 meters, in getting them certified, and in the DCC testing schedule, have created a broad consensus amongst energy suppliers that the original target end date for this programme is no longer achievable, and maintaining this deadline will simply lead to even higher fulfilment costs which will ultimately be borne by consumers.

Much money continues to be wasted within the industry with little thought apparently given to delivering initiatives in a way that will minimise their costs, which ultimately get passed on by suppliers to customers through their bills. A prime example of this is the establishment of Smart Energy GB, which has a mandate to spend over £85m of customers' money over the next five years on advertising the benefits of smart meters, and making the public aware that this meter replacement programme is taking place, through an expensive multi-media campaign featuring two cartoon characters called 'Gaz' and 'Leccy'.

The changes mandated as part of Ofgem's Retail Market Review have now been in force for over 12 months, and it is disappointing how little impact the cheapest alternative supplier messaging rules seem to be having on preventing larger suppliers exploiting the inertia of their legacy customer bases, and using the excess profits from these customers to fund cheap introductory deals for those who are switching. This seems to be due to a combination of factors including: (i) a general lack of interest by many consumers in even reading their bill; (ii) a failure by consumers to notice or understand the cheapest tariff messaging; and (iii) the practice of most suppliers to send energy bills to their customers on a quarterly or annual basis, by which time many of the cheaper deals which were available since the previous billing date will have been withdrawn.

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. We look forward to a less detailed and more principle based approach in future, where innovation can flourish, and there is 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.

Within the telecoms markets, significant corporate activity has been announced during the last 12 months, with BT having made an agreed bid for EE, and '3' planning to merge with O2. If completed, these transactions will reduce the number of networks available for Mobile Virtual Network Operators ('MVNO's') such as ourselves to work with in future, and we are therefore encouraged that the CMA and Ofcom (in relation to the BT/EE transaction) and the European Commission (in relation to the '3'/O2 merger) are focussed on ensuring this likely consolidation will not lead to a reduction in competition or consumer choice in future.

Prospects

We are encouraged by the high proportion of new owner-occupiers who are applying for our 'Double Gold' bundle (Landline, Broadband, Mobile and Energy), which has been consistently running at around 45% since the start of our new financial year. Over time, this will lead to a progressive further rise in the quality of our membership base.

Absolute growth in membership numbers is currently running below our target run-rate for the year as a whole, and the likelihood is that our percentage organic growth will remain in mid-single digits until the gap between the introductory fixed-price energy deals available to new customers on the one hand, and the higher standard variable tariffs charged to most domestic households on the other, narrows significantly. We anticipate this will happen progressively over the course of the next 12 months, starting with price reductions from all the major energy suppliers later this summer.

In the meantime we are in the process of rolling out improvements to our training programme which we believe will improve the effectiveness of new Partners joining the business, and are planning a number of new initiatives for later in the year designed to make our unique proposition even more attractive to 'Double Gold' multi-service owner-occupiers.

Our focus remains on building our membership base to 1 million Members and beyond over the medium term; this would represent a UK market share of less than 4%, and seems eminently achievable in due course given our track record of consistent organic growth, our unique fully integrated multi-utility service proposition, and clearly differentiated proven route to market.

The high quality of our membership base gives us good visibility over future revenues and margins on the various services we provide, and we re-iterate our previous guidance that adjusted pre-tax profits for the current year will be between £54m and £58m. In the absence of unforeseen circumstances, we intend to increase the dividend by 15% to 46p per share.

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
22 June 2015

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 short-term fixed price contracts 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 almost 50,000 part-time self-employed Partners; rather than seeking to attract new Members through expensive advertising, direct marketing or price comparison sites, we instead benefit from genuine personal recommendations by both our Partners, and by 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.

Our Members value the **Savings** (compared with the prices they were paying their previous suppliers), **Simplicity** (the convenience and ease of budgeting provided by a single monthly bill), and **Service** (from our award-winning UK call centre) that we offer. In addition, an increasing number are benefitting from our innovative CashBack proposition.

The delivery of these core benefits 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 +45 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. By treating our Members 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).

We have taken a number of steps in this direction over the past few years, culminating most recently in our decision to stop giving introductory short-term discounts to new Members as an incentive to switch; this reflects our view that it is unfair for existing loyal Members not to be able to benefit from the same prices and tariffs as those offered to new ones.

Simultaneously we are progressively segmenting our customer base, based on their expected lifetime value to us as a Member. Consistent with this approach, we have recently increased our focus on attracting owner-occupiers taking multiple services from us, by introducing a range of extra benefits from which they can choose.

We continue to invest heavily in our bespoke IT systems; these 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 service 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 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 build on the consistent strong organic growth we have historically delivered in order to progressively increase our share of the markets in which we operate.

We will achieve this by maintaining our focus on delivering best-in-class service and support to our Members, treating them fairly, investing in our systems and staff, simplifying and, where possible, improving 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 leverage our existing strong relationship with our Members to offer them improved service and better value on services they currently obtain from other suppliers, whilst also delivering a satisfactory return for our shareholders. Later this year we hope to introduce a range of insurance products, such as home and motor policies; in the medium to longer term, other potential new services might include water, television, and home emergency cover (including boiler cover).

Operational performance and non-financial KPIs

Our overall performance for the year has been extremely encouraging in a number of key respects:

- continuing strong organic growth with service numbers up by 208,753 (2014: 305,100)
- low churn
- lower delinquency
- higher proportion of Members taking our 'Double Gold' bundle
- healthy increase in the number of new Partners

- positive reviews and recognition from *Which?* for both energy and telephony services
- consistently high Net Promoter Scores

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

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

Members

	2015	**2014**
Residential Club	551,322	495,234
Business Club	30,191	29,098
Total Club	**581,513**	**524,332**

In addition, there are 5,700 predominantly small-business customers within our TML subsidiary, which does not form part of our core Discount Club proposition. We will therefore no longer be including or reporting any customer or service numbers for TML, although the relatively modest financial contribution it makes will continue to be reflected in the consolidated group numbers.

Within the residential Club, there is a significant difference in average expected 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, with a calculated expected average lifetime of over 25 years, are owner-occupiers taking our 'Double Gold' bundle. We have therefore recently made it even more attractive for them to take this bundle from us, by introducing a range of additional ongoing benefits and a new two-year fixed energy tariff which are only available to owner-occupiers (both new and existing Members); these have replaced the introductory broadband discount previously only offered to new Members taking our 'Gold Talk' and 'Double Gold' bundles, irrespective of the type of housing they occupied.

This focus on attracting Members who will have the highest lifetime value has been reflected in an increasing proportion of new Members signing up for 'Double Gold' and switching all their services to us (Landline, Broadband, Mobile, Electricity and/or Gas) to us:

	Percentage of new Members taking 'Double Gold' bundle
Q1 FY15	21.1%
Q2 FY15	24.6%
Q3 FY15	23.6%
Q4 FY15	27.7%

In the first two months of the current quarter, and following the recent changes to our proposition, the proportion of 'Double Gold' amongst new Members gathered by our Partners had further increased to over 29%.

Overall churn within our membership base has remained close to the record low we reported last year. This is best illustrated by the level of individual energy supply point churn, which has remained below 1% per month (on average), notwithstanding the widening gap between the introductory fixed price deals available from other suppliers and the range of competitive variable tariffs we offer:

	Energy supply point churn
FY11	16.3%
FY12	13.3%
FY13	11.2%
FY14	10.4%
FY15	11.2%

Average revenue per Member has shown a modest decrease during the year due to falling average energy consumption during another mild year, a full year impact from the lower dual fuel energy prices which became effective on 1 February 2014, and a small impact from a further reduction in domestic gas prices from 1 March 2015:

	Average Revenue per Member
1999	£190
2000	£286
2001	£316
2002	£329
2003	£459
2004	£482
2005	£505
2006	£634
2007	£801
2008	£819
2009	£1,064
2010	£1,149
2011	£1,137
2012	£1,186
2013	£1,359
2014	£1,304
2015	£1,279

(These revenue figures relate solely to our Customer Management operating segment, the figures for 2008 to 2014 inclusive are restated)

We enjoy high levels of overall satisfaction within our membership base, as evidenced by the positive reviews we receive from *Which?* magazine on a regular basis, the feedback we receive from the surveys we send out each month to Members who have contacted our call centre, and the low level of complaints made by our Members to the various industry ombudsmen. This feedback is reflected in our consistently positive Net Promoter Score of around +45 against a background where many other suppliers in the utility and telecoms sectors achieve negative scores; indeed, our high positive score would have put us in second place overall out of more than 60 brands (across nine sectors including mobile and internet) in the most recent Satmetrix report (April 2015), and is almost double the latest score of +23 reported by British Gas.

Our innovative CashBack card continues to generate significant monthly savings for our Discount Club Members, with the total value of CashBack credited to Members since launching this programme now in excess of £21m. In addition, we have seen increasing numbers of Members using our online shopping portal and price comparison service to help them find the cheapest online supplier for a wide range of everyday household goods, and to earn additional CashBack.

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 2,093,447 services to Club members (2014: 1,884,694), representing an increase of over 200,000 during the year.

	2015	**2014**
Electricity	525,024	474,123
Gas	430,517	392,744
Fixed Telephony (calls and NGN)	301,594	283,159
Fixed Telephony (line rental)	278,903	257,012
Broadband	245,625	220,537
Mobile	144,350	117,350
CashBack card	167,434	139,769
Total	**2,093,447**	**1,884,694**
Residential Club	2,008,241	1,804,830
Business Club	85,206	79,864
Total	**2,093,447**	**1,884,694**

We saw consistent quarterly growth throughout the year in all the core services we provide (Gas, Electricity, Landline, Broadband and Mobile), with a particularly pleasing 23% rise in the number of Mobile services provided. This increase means penetration of Mobile within our residential Club has almost doubled to 25% over the last four years with scope for significant further improvement in this level of penetration in future.

CashBack

Our exclusive CashBack card has proven itself as 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.

We have seen a 20% increase during the year in the number of cards in issue to 167,434 (2014: 139,769), with around 40% of new residential Club Members gathered directly by our Partners applying for a card. 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.

We have seen a pleasing increase in the use of our online shopping portal, with Members earning CashBack on over £1m of online retail spend each month. We aim to further develop this membership benefit within the online Clubhouse and via a Member App to be launched later in the year.

We paid over £5.4m (2014: £4.9m) in CashBack to our Members during the year (funded entirely by the retailers in the programme), with many Members achieving a reduction of between 20% and 30% on the amount they pay for the utilities we are supplying to them each month, 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.

Membership Service and Support

We pride ourselves on delivering first-class service to our Members through a single call 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 in order to ensure the overall quality of their experience.

We have been delighted at the consistently high ratings we receive 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.

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 an interest-free hire purchase scheme which gives Partners access to a Tablet so they can present the benefits of our unique Discount Club more effectively.

Our Car Plan, which provides eligible Partners with a subsidised Utility Warehouse branded BMW Mini, remains extremely popular with around 700 vehicles now on the road (2014: 575). Owners inform us that they find these helpful in raising their local profile, resulting in enquiries from both potential new Members and Partners.

Premises and Systems

The refurbishment of our new headquarters office building which we purchased in February 2012 is now substantially complete, and we took occupation around the end of March. This exciting new space will support our growing business for the foreseeable future. From a systems perspective, we have the capacity to manage a substantial increase in our current membership base and service numbers, without the need for any material further capital investment.

Andrew Lindsay MBE
Chief Executive Officer
22 June 2015

Financial Review

Overview of Results

	Adjusted[1]			Statutory		
	2015	2014 *Restated*	Change	2015	2014 *Restated*	Change
Revenue	£729.2m	£659.7m	10.5%	£729.2m	£659.7m	10.5%
Profit before tax	£52.2m	£42.6m	22.5%	£42.1m	£34.7m	21.3%
Basic EPS	53.0p	48.5p	9.3%	40.6p	37.7p	7.7%
Dividend per share	40.0p	35.0p	14.3%	40.0p	35.0p	14.3%

[1] In order to provide a clearer presentation of the underlying performance of the Group, adjusted profit before tax and adjusted basic EPS exclude share incentive scheme charges and the amortisation of the intangible asset arising on entering into the energy supply arrangements with Npower in December 2013.

Summary

The increase in revenue during the year has been driven by continuing strong organic growth in the number of services we provide, partially offset by lower energy prices and lower average household energy usage compared with the previous year.

The improvement in adjusted pre-tax profits of 22.5% reflects the underlying increase in the average number of Members during the year, and a full-year contribution from our new energy supply arrangements, offset by higher costs being attributed to us than we had previously expected relating to leakage within the national gas distribution network which is discussed in more detail below.

Increased promotional activity during the year targeted on recruiting high quality multi-utility new Members in a highly competitive market has led to an increased loss from our Customer Acquisition operating segment of £15.5m (2014: £12.1m).

Distribution expenses, which primarily consist of commissions paid to our Partners, increased by £3.3m to £21.9m (2014: £18.6m), reflecting the higher number of services being provided to our Members and additional promotional costs associated with gathering new Members.

Administrative expenses increased during the year by £4.9m to £46.5m (2014: £41.6m) mainly as a result of higher staff costs.

Adjusted earnings per share increased by 9.3% to 53.0p (2014: 48.5p), reflecting the full impact of the increase in the Company's share capital resulting from the transaction with Npower in December 2013. In accordance with previous guidance and our strong cash position, the Company is proposing to pay a final dividend of 21p (2014: 19p) per share, making a total dividend of 40p (2014: 35p) per share for the year.

Write-down of unbilled energy debtor

As announced in our trading update on 16 April, a detailed review of the unbilled energy debtor carried on our balance sheet disclosed that approximately £11m (net of anticipated tax credit), which had accumulated over the seven years between April 2007 and March 2014 was not recoverable. This related to higher levels of leakage within the national gas distribution network than had previously been anticipated, and as fully explained in the trading update, has been written off.

The Board has restated the Company's accounts to reflect the impact of this write-down on previous years, providing stakeholders with an accurate reflection of the historic underlying trend in the performance of the business.

Margins

Our overall gross margin for the year was 15.9% (2014: 14.9%) reflecting a full year's contribution from the new energy supply arrangements with Npower which were completed in December 2013, and an improving gross margin on our telephony services where higher pricing has largely offset the continuing downward trend in call spend amongst Members using their landlines. We expect our gross profit margins to remain within the previously stated range of 15% to 17% for the foreseeable future, subject to the impact from any new services which may be introduced.

Customer Management Business

We have continued to achieve steady growth in the number of services we are supplying, with an increase of over 200,000 services during the course of the year. This takes the total number of services provided by our Discount Club to almost 2.1 million – an increase of more than 10% compared with the previous year.

These numbers reflect our continuing 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 consistent organic growth.

Revenues increased across all our core services, notwithstanding both lower average energy consumption and lower retail energy prices compared with the previous year:

£m	**2015**	**2014** *Restated*
Electricity	304.7	273.5
Gas	278.4	255.4
Landline and Broadband	93.7	82.2
Mobile	20.3	16.7
Other	15.5	15.7
	712.6	**643.5**

Customer Acquisition

Our net investment in acquiring new Members increased during the year to £15.5m (2014: £12.1m), mainly reflecting increased promotional activity in a challenging and increasingly competitive market and a higher proportion taking our 'Double Gold' bundle.

Although the cost of acquiring an owner-occupier taking our 'Double Gold' Bundle is generally considerably higher than for a tenant taking fewer services, our experience shows that the return on that investment will more than compensate for the higher upfront costs we incur, due to the much longer expected lifetime of this type of Member.

Distribution and Administrative Expenses

Distribution expenses include both the share of our revenues that we pay as commission to Partners, and other direct costs associated with gathering new Members included as part of the Customer Acquisition Segment result for the year. These increased by £3.3m to £21.9m (2014: £18.6m), reflecting a combination of higher residual income payments to Partners, and the costs of various promotional incentives (such as shopping vouchers) provided to new Members.

Within administrative expenses, the bad debt charge for the year remained at 1.5% of revenues (2014: 1.5%), but increased slightly in absolute terms to £10.7m (2014: £9.9m).

Notwithstanding our growing membership base, the number of prepayment meters we installed during the year fell to 8,642 (2014: 8,958), of which many were provided at the Member's own request. This reflects our efforts over the last few years to attract and retain high quality multi-service owner-occupiers. At the end of the year we had an installed base of 68,066 (2014: 50,095) prepayment meters, representing approximately 7.1% of the energy services we supply. This remains significantly below the average level of prepayment meters within the industry of around 15% (source: Ofgem).

Delinquent Members	
FY12	1.46%
FY13	1.23%
FY14	1.15%
FY15	1.10%

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, and we are pleased that this trend has continued over the last 12 months.

The average number of employees increased from 696 to 787, reflecting our commitment to continue delivering the best possible service experience to our Members, and a significant ongoing investment in strengthening our management structure. Personnel expenses (excluding the non-cash accounting cost of share incentive schemes) increased by 12.2% during the year to £26.7m (2014: £23.8m).

Overall, administrative expenses remained broadly flat at 6.4% of revenue for the year (2014: 6.3%).

Opus

Our share of the profits from Opus Energy Group Limited ("Opus"), in which we maintain a 20% stake, increased during the year to £6.0m (2014: £4.7m). This excellent result reflects a continuing strong trading performance, and the further steady progress they have made in supplying gas alongside electricity into the small business and corporate sector, for which they are now buying renewable energy from over 500 small UK generators. Opus revenues increased by 20.5% to just over £523m (2014: £434m) and profit before tax increased from £30.2m to £38.0m.

We remain encouraged by the resilience of the business model and the strength and experience of the Opus management team, and look forward to receiving a dividend of approximately £5.4m from them later this month. Our shareholding in Opus is valued on our balance sheet at £10.8m in line with standard accounting policy, notwithstanding the likelihood that its market value is substantially in excess of this figure; we are extremely pleased to have such significant exposure to this rapidly growing, profitable and highly cash generative business.

Cash, Capital Expenditure and Working Capital

Our cash balances at the year-end reduced to £16.5m (2014: £45.4m) as we took advantage of the opportunity to re-negotiate our banking facilities and reduce our borrowing costs by repaying £30m to the bank ahead of the originally agreed repayment schedule. We also spent £19m during the year out of the £23m anticipated total cost of refurbishing our new office headquarters.

Our overall working capital position benefitted from a year on year cash inflow of £8.4m, largely due to lower average energy consumption and payment timing differences related to our energy purchasing arrangements with Npower. This cash inflow is expected to reverse during the current financial year.

On an underlying basis, and in the normal course of events, we anticipate a modest rise in our working capital requirements over the next two years due to a number of factors: (i) the costs associated with funding the growth in our mobile business (where increasing numbers of Members are choosing to be provided with a premium mobile handset, which they can obtain from us with no upfront cost on a 24 month contract); (ii) an increase in the number of BMW Minis supplied to Partners on hire purchase agreements; and (iii) the cost of providing them with Tablets (on 30 months interest-free credit) to help them build their businesses more effectively.

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 debt position of £74.0m (2014: £75.1m) including the deferred consideration of £21.5m payable to Npower in December 2016.

Dividend

The final dividend of 21p per share (2014: 19p) will be paid on 18 August 2015 to shareholders on the register at the close of business on 24 July 2015 and is subject to approval by shareholders at the Company's Annual General Meeting which will be held on 11 August 2015. This makes a total dividend payable for the year of 40p (2014: 35p), an increase of over 14% compared with the previous year.

We believe our strong underlying cash flow, rising earnings and significant borrowing capacity will enable us to refinance or repay our remaining borrowings as they fall due, whilst maintaining a progressive dividend policy. We remain comfortable with previous guidance that our total dividend for the current year will increase by 15% to 46p per share, and thereafter that further growth in earnings from the level we achieve this year should be reflected in a corresponding rise in the level of distributions to shareholders.

Share Incentive Scheme Charges

Operating profit is stated after share incentive scheme credits of £1.0m (2014: charges of £4.2m). These credits relate to an accounting charge under IFRS 2 Share Based Payments ("IFRS 2") and arose principally as a result of the fall in the Company's share price over the year.

As a result of the relative size of share incentive scheme credits/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 £9.8m (2014: £7.2m).

The effective tax rate for the year was 23.2% (2014: 20.8%), with the increase compared with last year primarily due to the inclusion of a full year's amortisation charge in respect of the intangible asset, which is not tax deductible.

Nick Schoenfeld
Chief Financial Officer
22 June 2015

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.

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 and broadband internet) under the Utility Warehouse and TML brands. As a reseller, the Group does not own any of the network infrastructure required to deliver its 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 minimal 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.

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, 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 heads of the IT 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 has extensive back-up information technology infrastructure in the event of a failure of the main system, designed to ensure that a near-seamless service to Members can be maintained.

During the year the Group agreed to acquire the underlying source code behind its billing and membership management system which had previously been used under licence. As a result of the acquisition the Group now has full strategic control over the source code and has therefore removed any risk of future software development not being able to meet the precise requirements of the Group.

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 maintain an effective relationship with Ofgem and 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 new requirements in relation to smart energy meters (with the potential for additional costs if existing meters must be replaced prior to the end of their planned lives) and social tariffs, and changes to the current decommissioning regime could all have a potentially significant impact on the sector, although any additional costs associated with smart metering are not expected to affect the net margins earned by energy suppliers in the longer term (as any such extra costs are likely to be reflected in higher retail charges).

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 maintains an appropriate relationship with both Ofgem and Ofcom (the UK regulators for the energy and communications markets respectively) and the Department for

Energy and Climate Change ("DECC"). 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.

However, it should be noted that the regulatory environment for the various markets in which the Group operates is generally focussed on promoting competition. As one of the new entrants, it 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, remain uncertain at present. It currently remains unclear how the governmental focus on reform of the energy market and the current investigation by the Competition and Markets Authority will impact the operations of the Group.

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. The Government could also choose to introduce adverse measures such as a windfall tax on the Group or price controls for certain customer segments. In addition, political and regulatory developments affecting the energy 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

As a result of the transaction with Npower in December 2013, the Group entered into new debt facilities leading to increased 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 material proportion of its cash flows from operations to fund payments in respect of the debt, thereby reducing the flexibility of the Group to utilise its cash to invest in and/or grow the business; (b) increases the Group's vulnerability to adverse general economic and/or industry conditions; (c) may limit the Group's flexibility in planning for, or reacting to, changes in its business or the industry in which it operates; (d) may limit the Group's ability to raise additional debt in the long term; and (e) could restrict the Group from making larger strategic acquisitions or exploiting business opportunities.

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

Fraud and bad debt risk

The Group has a universal supply obligation in relation to the provision of energy to domestic customers. This means that although the Group is entitled to request a reasonable deposit from potential new Members who are not considered creditworthy, the Group is obliged to supply domestic energy to everyone who submits a properly completed application form. Where Members subsequently fail to pay for the energy they have used ("Delinquent Members"), there is likely to be a considerable delay before the Group is able to control its exposure to future bad debt from them by either 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 within the telephony industry may arise from Members using the services 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 fraud. The Group is able to immediately eliminate any further 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.

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 regulatory fines, loss of commercially sensitive information and damage to its brand. The Group uses high specification firewalling and anti-viral management systems; external consultants are also used to conduct penetration testing on the Group's IT infrastructure.

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 its 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 available to new and/or other independent suppliers. 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.

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 and keeping the cost base as low as possible. New service innovations are monitored closely by senior management and the Group is typically able to respond rapidly by offering any new services using the infrastructure of its existing suppliers. The Group offers a unique multi-utility proposition. The increasing proportion of Members who are benefiting from a genuine multi-utility solution, that is unavailable from any other known supplier, materially reduces any competitive threat.

The Directors anticipate that the Group will face continued competition in the future as the market grows, 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. 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 supplied to the Group. There can be no assurance that the Group's competitors will not develop more effective or more affordable technologies or services, thus rendering the Group's technologies and/or services obsolete, uncompetitive or uneconomical. 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 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 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.

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 those 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.

People and Organisation

Employees

We rely on the combined efforts of around 800 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.

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, and have comprehensive Manager and Supervisor development programmes, which are accompanied by selective executive coaching. We have an online learning portal to assist in the development of all our employees, and make available a wide range of 'Skills Builder Courses' in addition to e-learning modules. 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. We 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.

We operate an 'open-door' policy throughout the business, provide employees with various mechanisms for providing feedback and making suggestions, and include open ended questions within the staff survey. This year we held our very own 'Dragons' Den' competition, 'The Piggies' Pen' to elicit innovative suggestions for improving our business from our staff, and were delighted when over 70 members of staff submitted entries.

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. We also have a 'Fun Fund' set aside for 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. Last year we introduced private health care with BUPA, which our staff can elect to join at advantageous corporate rates, with premiums deducted from salary. This has been taken up by a significant number of our staff, and in particular, longer-standing members and management.

Our new headquarters 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. Our new staff restaurant has been upgraded to a brasserie style eatery, complete with its own Deli Bar. This highly subsidised restaurant is an increasingly popular benefit for our staff and provides a great venue for the staff social events; including regular 'Drinks After Work'. 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 significant discount on the services we provide, employee loans at preferential interest rates, a generous Christmas bonus scheme, Gourmet Society dining membership and recognition for five, 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 2015 there were outstanding options over 1,882,082 shares which had been granted to staff, representing approximately 2.3% of the issued share capital of the Company.

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

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

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

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:

	2015		2014	
	Male	**Female**	**Male**	**Female**
Board	6	-	6	-
Senior Managers	13	6	12	4
Employees	478	305	434	286

The Board's position in relation to the Code requirement to set out any existing measurable objectives in relation to Board diversity is set out in the Corporate Governance Statement on pages 38 and 39.

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 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 457 trees and 61,330kg of $CO2$ during the year (2014: 298 trees and 39,370kg of $CO2$); we also recycle all of our cardboard, and use only fsc-certified paper. We recycle both mobile phones and toner cartridges, within the scope of our annual Charity Partnership.

During the year we completed the refurbishment of our new Head Office building, Merit House. The refurbishment of Merit House ensured that the building which was previously under-performing was made compliant with current environmental efficiency regulations. In refurbishing the existing building, we have also minimised the environmental impact from carbon emissions when compared to demolishing and constructing a new building.

Key aspects of efficiency incorporated into the refurbished building are set out below:

- modular office LED lighting;
- PIR daylight saving light sensors;
- high efficiency air conditioning system;
- highly efficient lift motor and control system;
- percussive water saving taps;
- efficient sensor flush systems; and
- fresh air quality improved providing 10 litres/second per person.

In addition, upgrades were made to the thermal envelope of the building leading to greater energy efficiency and insulation values.

Greenhouse Gas Emissions Statement

The greenhouse gas ("GHG") emissions statement below provides a summary of the Company's greenhouse gas (carbon) emissions from 1 April 2014 to 31 March 2015. 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 Company's operational control.

Global GHG emissions

	Total emissions (tonnes CO2e) 2014-2015	**Total emissions (tonnes CO2e) 2013-2014**
Emissions from fuel combustion and fugitive refrigerants (scope 1)	34.8	70.5
Emissions from electricity, heat, steam and cooling purchased for own use (scope 2)	903.1	995.0
Total emissions	937.9	1,065.5
Intensity: Emissions per full time employee (FTE)	1.20 tCO2e/FTE	1.56 tCO2e/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 2014.

Social Engagement

During the year we chose Breast Cancer Campaign and Prostate Cancer UK as our joint Charity Partners and were delighted to support the activities of our Staff, Members and Partners in helping them raise a total of £82,000 during the year.

Human Rights

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

Strategic Report Approval

The Strategic Report, set out on pages 2 to 34, 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
22 June 2015

Board of Directors

The Hon. Charles Wigoder, Executive Chairman
Charles, aged 55, 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 55, 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 meets the test of independence under section B.1.1 of the UK Corporate Governance Code.

Andrew Lindsay MBE, Chief Executive Officer
Andrew, aged 38, 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 44, 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.

Melvin Lawson, Non-Executive Director
Melvin, aged 56, 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 and meets the test of independence under section B.1.1 of the UK Corporate Governance Code.

Michael Pavia, Non-Executive Director
Michael, aged 68, is a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW), and has significant experience of the energy industry, having served on the Boards of LASMO plc, SEEBOARD plc and London Electricity. He is currently a senior independent director of Thames Water Utilities Limited and Wales and West Utilities Limited, and non-executive Chairman of PetroGranada Ltd. He joined the Company in December 2006 as an independent non-executive director and meets the test of independence under section B.1.1 of the UK Corporate Governance Code.

Corporate Governance Statement

Save in the limited instances explained below, 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 2012. Additionally, the Board has given consideration to the requirements set out in the new Corporate Governance Code 2014 which applies to accounting periods beginning on or after 1 October 2014 ("the New Code"). The Board's position in relation to certain of the provisions of the New Code is set out in this Annual Report. Copies of the Code and the New Code are available at www.frc.org.uk.

This report, together with the Director's Report on pages 68 to 72 and the Directors' Remuneration Report on pages 49 to 67, 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 design of performance-related elements of remuneration, i.e. 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 at all times. 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.
- 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 2015

Name of Director	Board	Remuneration Committee	Audit Committee	Nomination Committee
Number of meetings	*12*	*5*	*4*	-
Charles Wigoder	12	-	-	-
Julian Schild	12	5	4	-
Andrew Lindsay	12	-	-	-
Nick Schoenfeld[1]	3	-	-	-
Melvin Lawson	12	5	4	-
Michael Pavia	12	5	4	-
Chris Houghton[2]	5	-	-	-

[1] Appointed to the Board on 7 January 2015

[2] Resigned from the Board on 3 October 2014

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 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.

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 identified that succession planning, and in particular the need to strengthen the independent non executive presence on the Board, was required in the current year. As such the Nomination Committee is in the process of identifying potential non-executive candidates for appointment to the Board in the short term.

Board Balance and Diversity

The Board remains comprised of three executive directors and three independent non-executive directors. Chris Houghton, former Finance Director, resigned from the Board on 3 October 2014 and was replaced by Nick Schoenfeld on 7 January 2015. Julian Schild acts 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	-	-	-
Melvin Lawson*	✓	✓	-
Michael Pavia*	✓	Chairman	Chairman

* indicates independent non-executive directors

The Board, in conjunction with the Nomination Committee, regularly reviews whether the composition of the Board and the diversity of its members remain appropriate in the light of the commercial challenges and risks facing the Company.

The members of the Nomination Committee believe that the composition of the Board is currently appropriate for the size of the Company and the nature of its operations which have not materially changed in scope since the prior year. However, consistent with the requirement of the Code to ensure a progressive refreshing of the Board, the Nomination Committee has been implementing its plan for independent non-executive director succession in the near future, to reflect the long service of both Michael Pavia and Melvin Lawson since their appointment to the Board in late 2006. Further detail of the Committee's activities during the year is set out in the Nomination Committee report on page 42.

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 29 to 31.

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 August. 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 continue to make a valuable contribution to the commercial success of the Company, with each bringing a complementary range of skills to the team.

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 Julian Schild (Chairman of the Committee), Melvin Lawson and Michael Pavia. The Directors' Remuneration Report, giving the details of the emoluments of each director, may be found on pages 49 to 67.

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, Michael Pavia (Chairman of the Committee), Melvin Lawson and Julian Schild in compliance with the Code (provision C.3.1). The activities of the Audit Committee are set out on pages 44 to 48.

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

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

The activities of the Nomination Committee are set out on page 42.

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, in order to ensure 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 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 who is 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.

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 23 to 28.

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 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 69 and 70.

By Order of the Board
David Baxter
Company Secretary
22 June 2015

Nomination Committee Report

Introduction

The Nomination Committee comprises Michael Pavia (Chairman of the Committee), Julian Schild and Charles Wigoder and therefore has 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 2015

Recruitment of new Chief Financial Officer

During the year Chris Houghton, the Company's former Finance Director, resigned from the Board and the Committee was therefore instructed to seek a replacement. The Committee commissioned executive search consultants Korn Ferry in London to present a shortlist of potential candidates. Korn Ferry was instructed to identify candidates from as wide a pool as possible with an emphasis on ensuring that the Company's approach to recruitment, namely that candidates from a wide range of backgrounds should be considered and that due regard be given to the benefits of diversity on the Board, was adhered to.

The key criteria against which the candidates were selected are set out below:

- strategic vision and commercial awareness;
- intellectual ability;
- previous financial experience within large companies; and
- previous experience of leading finance functions through periods of growth.

The recruitment process principally comprised an initial selection round conducted by Korn Ferry. A small number of candidates were then interviewed by the members of the Committee and the Chief Executive. The Committee assessed the results of the interviews and recommended to the Board that the strongest candidate, Mr Nick Schoenfeld, be appointed as Chief Financial Officer.

Mr Schoenfeld was, since 2006, 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. Mr Schoenfeld also has an MBA from the Harvard Business School.

Other activities

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. Consistent with the requirement of the Code to ensure a progressive refreshing of the Board, the Committee has been implementing its plan for independent non-executive director succession in the near future, to reflect the long service of both Michael Pavia and Melvin Lawson since their appointment to the Board in late 2006. The Committee is in the process of identifying potential non-executive candidates for appointment to the Board in the short term.

Other discussions concerning Committee matters during the year principally related to the appropriateness of the composition of the Board in the light of the Company's existing operations and medium-term strategic objectives, and succession planning for directors and senior management. Aside from the position in relation to independent non-executive directors set out 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 pages 38 and 39 of this document.

Michael Pavia
Chairman of the Nomination Committee
On behalf of the Board
22 June 2015

Audit Committee Report

Introduction

The Audit Committee ("the Committee") comprises three independent non-executive directors, Michael Pavia (Chairman of the Committee), Julian Schild and Melvin Lawson in accordance with the UK Corporate Governance Code (the "Code") (provision C.3.1). Michael Pavia 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 37 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 2015

External Auditor

During the year, whilst the Committee remained satisfied with the performance of the Company's existing auditor BDO LLP ("BDO"), it was decided to put the external audit contract out to tender.

BDO had been the Company's auditor since March 2013 following its merger with PKF (UK) LLP ("PKF") who had been in place as the Company's auditor since its inception in 1996. The Committee's decision to conduct a tender was principally driven by the awareness that certain shareholders did not view the merger of PKF and BDO as constituting a change of auditor which would absolve the Company from the requirement to tender its external audit contract.

In addition, the Committee was increasingly mindful of the regulatory focus on mandatory auditor rotation following the recent EU Audit Directive and specifically on the existing requirements for publicly listed companies to put their audit contracts out for tender more regularly. In particular the Committee noted the requirement in the Corporate Governance Code and the Competition and Markets Authority Order, for FTSE 350 companies to tender their external audit contract at least every ten years.

As such, the Committee recommended to the Board that the external audit contract be put out to tender during the year. The tender process was conducted during January and concluded in mid February. A total of five audit firms, including the existing auditor BDO, were invited to submit a formal document outlining their proposed approach to the audit of the Company. The five firms were principally selected based on their credentials in the markets within which the Company operates and their experience of auditing large publicly listed companies.

The five firms were asked to submit a structured written proposal to the Committee covering the following areas:

- detailed proposed audit plan and timeline;
- proposed approach to communication with the Finance Team and Audit Committee;
- critique of the Company's prior year Annual Report;
- analysis of any key specific audit risks identified;
- a detailed auditor transition plan;
- credentials in the markets within which the Company operates;
- client references in relation to the proposed lead audit partner; and
- proposed audit fees.

The five firms were also invited to spend time with the executive directors of the Company in order to further their understanding of the business and they were also granted access to the Chairman of the Audit Committee. This enabled the firms to tailor fully their proposals to the Committee.

The Committee reviewed the written proposals received and selected three firms to present formally to the full Board of the Company. The three firms were principally selected based on the quality of their written proposals submitted and the demonstration therein of a good initial understanding of the Company's operations and a detailed understanding of the markets within which it operates.

All three prospective audit firms invited to present performed well and demonstrated a deep understanding of the Company's markets and the audit approach required for large publicly listed companies. The high quality of all three pitches presented the Committee with a difficult decision. However, after a thorough analysis of the three firms, the Committee decided to recommend to the Board the appointment of KPMG LLP ("KPMG") as auditor of the Company. The Committee determined that the key differentiating factor in favour of KPMG was the highly tailored nature of their presentation and in particular the significant level of detailed practical specification in the proposed audit plan.

Other activities

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

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

Issue	Action taken by the Committee
Operational accuracy of billing system	Review of internal analysis and external auditor procedures. Monitoring of regulator communications (Ofgem, BABT) and monthly monitoring of detailed call centre statistics which would indicate significant billing issues.
Revenue recognition and associated unbilled energy revenues	Review of key assumptions underlying the recoverability of unbilled energy revenues based on internal analysis. Review of the adjustments required as a result of the restatement detailed in Note 22 of the financial statements.
Valuation of intangible assets	Review of key assumptions underlying the value and recoverability of the intangible asset relating to the new energy supply agreements 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.3.5), 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 advised the Board that the annual report and accounts taken as a whole provide a fair, balanced and understandable picture of the Company's performance, business model and strategy.

External auditor effectiveness

The Company's new 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 in its first year as external auditor.

In reaching this conclusion, the Committee assessed:

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

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

External auditor independence

In order to guard against the objectivity and independence of the external auditor being compromised, the provision of any significant additional services aside from audit and tax compliance remains subject to the prior approval of the Audit Committee. The Committee would normally be likely to prohibit the provision of the following types of non-audit related work by the Company's external auditor:

- book-keeping and work relating to the preparation of accounting records and financial statements that will ultimately be subject to external audit;
- financial information system design and implementation;
- appraisal or valuation services in respect of material assets;
- internal auditing;
- investment advice or corporate broking; and
- any other work where mutual interests exist that could compromise the independence of the external auditor.

It is also currently envisaged that in accordance with best practice, tax compliance advice will not be awarded to the external auditor.

Reporting of staff concerns

The Chairman of the Audit Committee, Michael Pavia, 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 on the Company's intranet website which sets out Michael Pavia's contact details (Code provision C.3.4). No such matters were raised by employees during the current year.

Michael Pavia
Chairman of the Audit Committee
On behalf of the Board
22 June 2015

Directors' Remuneration Report

Annual Statement

Dear Shareholder,

I am pleased to provide an introduction to the Remuneration Committee report which appears on pages 50 to 67. There have been no material changes to the Remuneration Policy which was approved by shareholders' at the 2014 Annual General Meeting. However, the Committee continues to keep the Policy under review to ensure that it remains appropriate to the Company's circumstances.

It is important that remuneration packages are competitive but not excessive. Accordingly, we would not expect total remuneration to fall within the upper quartile relative to comparable organisations over the long term.

The Committee reviews executive directors' salaries annually. Charles Wigoder received an increase of 13.5% to £420,000 per annum largely to compensate for the cessation of company pension contributions after reaching the limit of lifetime allowance under current HMRC rules. After consulting research on current salary levels amongst FTSE 250 chief executives the Committee awarded Andrew Lindsay an increase of 16.7% to £455,000 per annum. Both gentlemen will receive the Company's standard increase of 1.5% for the year to 31 March 2016.

Nick Schoenfeld joined the Board on 7 January 2015 as Chief Financial Officer following a thorough search using independent consultants. We are confident, therefore, that his salary of £400,000 per annum represents a fair reflection of current market conditions.

At present executive directors do not receive annual bonuses in either cash or shares. The Committee's view is that the grant of market price share incentives at periodic intervals provides long term commonality of interest between executives and shareholders. In line with current practice, such grants are valued for illustrative purposes in the accounts at one-third of face value although in reality at date of grant their economic value is much lower.

Andrew Lindsay was granted options over 300,000 shares at £13.37 vesting in three tranches over seven years. The Remuneration Committee believes that the length of exercise period is sufficient to deal with any claw back issues that may arise.

Nick Schoenfeld was granted options over 300,000 shares at £12.62 on his appointment. In the light of recent events, and to ensure that his compensation fairly reflects future performance, the Remuneration Committee, exceptionally, intends to reissue these options following the announcement of the 2015 results.

Finally, I should like to thank our shareholders for their support and constructive engagement over the past year.

Julian Schild
Chairman of the Remuneration Committee
22 June 2015

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 five times during the year and details of attendance at this meeting are provided in the Corporate Governance Statement on page 37.

The Committee's principal activities during the year included:

- reviewing and approving executive remuneration packages, including for the new Chief Financial Officer;
- monitoring senior management remuneration packages;
- reviewing and approving the issue of share options to the Chief Executive, Chief Financial Officer, certain employees and independent distributors of the Company; and
- determining the performance conditions attached to the issue of share options.

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 current remuneration policy is based on the principle that the fortunes of the directors and senior management should be directly aligned with those of external shareholders, and this is predominantly achieved through the use of share incentive plans. The Remuneration Committee currently believes that share incentive awards granted at market value provide a far more transparent method by which to align directly each director's interests with all shareholders when compared to the payment of regular annual cash bonuses based on short-term performance measures and/or the granting of 'free' shares with little or no downside risk to the participant. In the light of the focus on share incentive awards rather than cash bonuses the Remuneration Committee believes it continues to be appropriate to grant meaningful share awards in blocks rather than using a phased approach as set out in the Corporate Governance Code.

The outstanding awards made under share incentive schemes prior to the approval of the Company's remuneration policy at the AGM in July 2014 were broadly consistent with that policy and, for the avoidance of doubt, will remain in place until exercise.

The remuneration policy described in this part of the report was prepared in accordance with the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in August 2013). The policy was duly approved by the Company's shareholders at the AGM on 15 July 2014 and it is intended to apply for the three years beginning on that date. However, the Committee will continue to review the remuneration policy annually to ensure it remains appropriate for the Company's requirements and consistent with market practice. The Committee determined that no amendments to the policy were required during the current year.

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.	Base salary is paid in 12 equal monthly instalments during the year. Base salaries are reviewed annually and any changes are effective from 1 April each year.	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. 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.	None, although overall performance of the individual is considered by the Committee when setting and reviewing salaries.
Benefits			
To provide benefits commensurate with the role and market practice.	The Company pays for private healthcare for each director and their immediate family. The Company provides company cars for executive directors where appropriate. The Company provides death in service benefits up to a maximum of four times annual base salary (subject to prevailing policy caps). The Committee reserves the right to introduce other benefits should this be necessary to attract and/or retain key executive directors. In relation to new directors the Company will pay for reasonable relocation expenses where required.	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	Bonus payment to be dependent on achievement of performance measures.	Maximum potential bonus of 200% of annual Base Salary, including the value of any share incentive awards granted, as detailed below. The overall combined limit for annual cash bonuses and share incentive awards to be 200% of	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

to attract and retain high calibre executive directors in future.		annual Base Salary. 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.	specific to the individual director. 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.
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.	Remuneration 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.
Share Incentive Schemes			
To directly align the directors' interests with those of all other shareholders.	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 include HMRC approved share option awards, unapproved share option awards and/or the issue of joint interests in shares under the Joint Share Ownership Plan.	Maximum grant value equivalent to 200% of salary per annum, assuming that no annual cash bonus has been awarded during that year. Grants made periodically, with awards vesting over 3 to 7 years. 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. 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. Vesting is dependent on service and the achievement of performance conditions. 30% vests at threshold performance.	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: • Adjusted EPS growth • TSR growth • Service number growth Weighting of each measure to be determined by the Remuneration Committee and dependent on each director's role and strategic responsibility. 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.
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.	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.	N/A

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.

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.

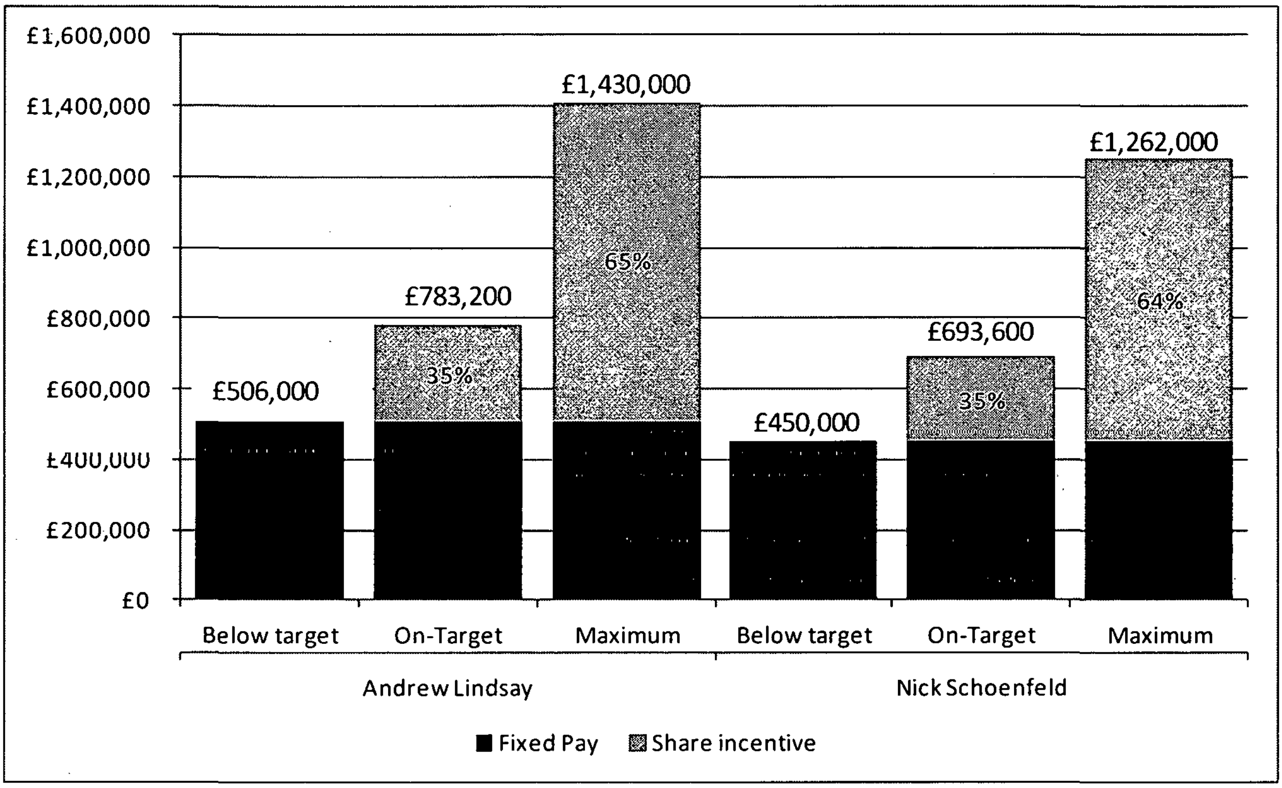
Illustrative application of remuneration policy

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. For the purposes of the illustration the values assume the maximum grant of share incentive awards during the year and no annual cash bonuses are paid. However, as outlined in the above table, the Remuneration Committee reserves the right to bring or carry forward any unused annual share incentive scheme allowances. Therefore, share incentives might not be awarded during a particular year, and/or share incentive awards may be larger than 200% of base salary in any one year.

The amounts included for share incentive awards are based on one third of the market value of the shares under option, although the awards have no realisable value inherent at the date of grant. 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 2015.

The potential rewards available for 'on-target' performance under share incentive schemes have been based on 30% vesting of share incentive awards.

All performance measures or targets for share incentive scheme awards relate to more than one financial year.



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	All awards lapse except for	A "good leaver" may exercise any	N/A

share incentive scheme awards under plan rules.	"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.	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 Remuneration 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". In relation to unvested awards made under the Joint Share Ownership Plan ("JSOP") for a "good leaver", the Remuneration Committee will specify the extent to which such awards should vest having regard to the length of time since the award was acquired and the director's performance to that date. If a participant in the JSOP ceases to be employed within the Group otherwise than as a "good leaver", any unvested awards will be forfeited.	
Exercise of discretion.	Discretion to be used only in exceptional circumstances.	The Remuneration 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.	Non-executive directors are all subject to annual re-election by shareholders at the Company's AGM each year. Non-executive directors have a three month notice period and there is no provision for compensation if required to stand down.	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.	Non-executive directors' fees are set by the Board as a whole and aligned with the responsibilities of each director. Annual fees are paid in 12 equal monthly instalments during the year. 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.	Non-executive directors' remuneration will not be set outside the parameters of prevailing market rates for similarly-sized companies of equal complexity.	Non-executive directors are not eligible to participate in any performance-related arrangements or share incentive schemes.

Statement of consideration of shareholder views

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

Statement of consideration of employment conditions elsewhere in the group

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

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

Annual Report on Remuneration

This report, which has been prepared in accordance with the provisions of the UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council in September 2012 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 and Chief Executive Andrew Lindsay during the year.

Mr Wigoder received an increase of 13.5% to £420,000 per annum. This increase primarily reflected the fact that the Company would no longer be making pension contributions on behalf of Mr Wigoder as he reached the limit of the lifetime allowance for pension contributions under current HMRC rules during the year.

Mr Lindsay received an increase of 16.7% to £455,000 per annum reflecting his strong personal performance and the incremental responsibility resulting from the significant increase in the size and profile of the Company during the previous year following the entering into of the new energy supply arrangements with Npower in December 2013.

Nick Schoenfeld joined the Board on 7 January 2015 as Chief Financial Officer with a base salary of £400,000 per annum. In determining the level of Mr Schoenfeld's base salary the Committee was mindful of the need to attract a high calibre candidate through an open-market recruitment process who would successfully contribute to driving the Company through the next stage of its development.

In addition, share options with performance conditions attached were issued to Mr Lindsay and Mr Schoenfeld during the year, details of which are set out below in this report.

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

Year ended 31 March 2015 (audited)

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

	Salary & Fees £'000	Taxable Benefits £'000	Pension Contributions £'000	Share Incentives £'000	Total £'000
Charles Wigoder	420	5	19	-	444
Julian Schild	35	-	-	-	35
Andrew Lindsay	455	4	40	1,676	2,175
Nick Schoenfeld	94	1	9	-	104
Melvin Lawson	12	-	-	-	12
Michael Pavia	21	-	-	-	21
Chris Houghton	153	2	15	-	170
	1,190	12	83	1,676	2,961

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

Mr Lindsay holds share incentive awards under the Company's Joint Share Ownership Plan ("JSOP") where final vesting was determined as a result of the achievement of performance conditions relating to the financial year to 31 March 2015. However, it should be noted that as at 31 March 2015 Mr Lindsay had not exercised his right to realise the gain made under the JSOP as the vesting period for the award commenced on 1 April 2015. Details of the calculation of the theoretical gain included in the table above are set out below in this report.

Year ended 31 March 2014 (audited)

	Salary & Fees £'000	Taxable Benefits £'000	Pension Contributions £'000	Share Incentives £'000	Total £'000
Charles Wigoder	370	5	37	-	412
Julian Schild	35	-	-	-	35
Andrew Lindsay	390	3	39	-	432
Chris Houghton	300	6	30	-	336
Melvin Lawson	12	-	-	-	12
Michael Pavia	21	-	-	-	21
	1,128	14	106	-	1,248

None of the directors held share incentive awards where final vesting was determined as a result of the achievement of performance conditions relating to a period ending in the financial year to 31 March 2014.

Share Incentive Schemes

The Company has two share option plans and a Joint Share Ownership Plan (the "JSOP"). The first share option plan and the JSOP are available to employees, and the second share option plan is available to the Company's independent distributors.

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 Joint Share Ownership Plan

Awards made through the JSOP provide participants with a joint interest in tranches of shares which are held until vesting by an independent employee benefit trust (the "JSOP Share Trust"). The trustee of the JSOP Share Trust is Barclays Wealth Trustees (Guernsey) Limited. The value to participants of awards made under the JSOP is based upon the growth in the value of the Company's shares from the date of grant in a similar manner to the value achieved through participation in the conventional share option scheme. However, participants in the JSOP only receive value to the extent that the share price increase exceeds a compound annual growth rate of at least five per cent (the "Hurdle Rate"). On vesting, participants receive any gain over the Hurdle Rate on the tranche of shares in which they hold a joint interest, with all the gain below the Hurdle Rate being retained by the JSOP Share Trust. In addition, awards made under the JSOP to executive directors will only vest to the extent applicable performance conditions relating to the financial and trading performance of the Company are met. It is currently considered unlikely by the Committee that further awards will be made under the JSOP.

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.

During the year options were issued to 36 distributors under a share option promotion scheme which requires the participants to achieve performance conditions in order for the options to vest. These performance conditions will involve distributors consistently gathering Members throughout the three-year vesting periods of the options.

Statement of Directors' Shareholding and Share Interests (audited)

Details of the directors' shareholdings are set out in the Directors' Report on page 68. 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 a proportion of shares issued as a result of the exercise of share incentive awards.

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

	1 April 2014	Granted	Exercised/ Lapsed	31 March 2015	Exercise price per share	Exercisable from	Expiry date
Andrew Lindsay							
Share options							
1 July 2014	-	100,000	-	100,000	1337p	1 Jul 17	30 Jun 2024
1 July 2014	-	100,000	-	100,000	1337p	1 Jul 19	30 Jun 2024
1 July 2014	-	100,000	-	100,000	1337p	1 Jul 21	30 Jun 2024
JSOP interest							
31 March 2011[1]	500,000	-	-	500,000	n/a	1 Apr 15	n/a

[1] Shares held jointly with the JSOP Share Trust

	1 April 2014	Granted	Exercised/ Lapsed	31 March 2015	Exercise price per share	Exercisable from	Expiry date
Nick Schoenfeld (appointed 7 January 2015)							
Share options							
7 January 2015	-	100,000	-	100,000	1262p	7 Jan 18	6 Jan 25
7 January 2015	-	50,000	-	50,000	1262p	7 Jan 19	6 Jan 25
7 January 2015	-	50,000	-	50,000	1262p	7 Jan 20	6 Jan 25
7 January 2015	-	50,000	-	50,000	1262p	7 Jan 21	6 Jan 25
7 January 2015	-	50,000	-	50,000	1262p	7 Jan 22	6 Jan 25
Chris Houghton (resigned 3 October 2014)							
Share options							
10 Dec 2008	50,000	-	50,000	-	340p	10 Dec 11	9 Dec 18
26 June 2009	50,000	-	50,000	-	278p	26 Jun 12	25 Jun 19
26 June 2012	25,000	-	25,000	-	828p	26 Jun 15	25 Jun 22
26 June 2012	25,000	-	25,000	-	828p	26 Jun 17	25 Jun 22
16 Dec 2013	25,000	-	25,000	-	1739p	16 Dec 16	15 Dec 23
16 Dec 2013	25,000	-	25,000	-	1739p	16 Dec 18	15 Dec 23

Mr Andrew Lindsay

The award of a joint interest in 500,000 shares made to Mr Lindsay on 31 March 2011 under the JSOP ("the JSOP Share Award") was made subject to performance conditions which were described in detail in the annual report for the year ended 31 March 2011. The performance conditions in relation to the JSOP award were all fully achieved as at 31 March 2015 and therefore Mr Lindsay at the time of exercise will receive any increase in value of the 500,000 shares over the share price on the date of grant (£4.55) plus an annual compound growth rate of five per cent.

The table below sets out the compound annual growth rates that were required to be achieved during the vesting period across the three performance conditions.

Percentage of 500,000 shares	EPS growth	TSR growth[1]	Service number growth
100%	7.5%	7.5%	7.5%
50%	5.0%	5.0%	5.0%
50%-100%[2]	5.0%-7.5%	5.0%-7.5%	5.0%-7.5%
Nil	<5%	<5%	<5%

[1] compound annual share price growth assuming 22p annual dividend

[2] percentage of shares to be calculated on a straight line basis

The average annual EPS growth achieved during the vesting period was 13.0%, the average annual TSR growth 21.1% and the average annual Service number growth 15.9%. The total unrealised gain in relation to the JSOP award as at 31 March 2015 was therefore approximately £1.7m being the increase in value of the 500,000 shares over the 553p exercise price given the closing share price on 31 March 2015 of 888.22p. In practice had Mr Lindsay been in a position to exercise his right under the JSOP on 31 March 2015, 188,703 shares would have been transferred to Mr Lindsay in settlement of the JSOP Share Award.

A further 300,000 share options were awarded to Mr Lindsay on 1 July 2014 under the terms of the Employee Share Option Scheme. These options will vest in three discrete tranches of 100,000 options over three, five and seven year periods, each representing shares with a face value of £1.3m equating to approximately 294% of Mr Lindsay's annual base salary. However, it should be noted that as market price options their value to Mr Lindsay rests solely on the increase in the Company's share price from the point of grant. In accordance with guidance in the FRC's Lab Project Report: Reporting of pay and performance issued in March 2013, the value of market price share options can be measured as one third of the market value of the shares under option. The value of each tranche of these options granted to Mr Lindsay under this measure would therefore represent approximately 98% of his annual base salary.

The extent to which these options will vest will depend on the average growth, weighted 40% by reference to adjusted EPS growth, 40% by reference to relative TSR growth and 20% by reference to service number growth, achieved across the three annual performance measures summarised in the table below:

Percentage of options vesting	Adjusted EPS growth	Relative TSR growth[1]	Service number growth
100%	CPI + 12.5%	Upper quartile	10.0%
30%	CPI + 5.0%	Median	5.0%
30%-100%[2]	CPI + 5.0%-12.5%	Median – Upper quartile	5.0%-10.0%
Nil	<CPI + 5.0%	Below median	<5.0%

[1] Company TSR performance relative to the FTSE 350 (excluding Investment Trusts)

[2] Percentage of shares to be calculated on a straight line basis

The base year for the Adjusted EPS performance measure will be the Adjusted EPS for the year ended 31 March 2014.

Mr Nick Schoenfeld

Options over 300,000 ordinary shares were granted to new Chief Financial Officer Nick Schoenfeld on his appointment to the Board on 7 January 2015 under the terms of the Employee Share Option Scheme. These options will vest in five discrete tranches over three, four, five, six and seven year periods as set out in the table above. The largest tranche of options represents shares with a face value of £1.3m equating to approximately 315% of Mr Schoenfeld's annual base salary. However, it should be noted that as market price options their value to Mr Schoenfeld rests solely on the increase in the Company's share price from the point of grant. In accordance with guidance in the FRC's Lab Project Report: Reporting of pay and performance issued in March 2013, the value of market price share options can be measured as one third of the market value of the shares under option. The value of these options granted to Mr Schoenfeld under this measure would therefore represent approximately 105% of his annual base salary for the year. Under this measure the value of each of the other four tranches of options represents approximately 53% of Mr Schoenfeld's annual base salary.

However, in the light of the fall in the Company's share price following the release of the Trading Update on 16 April 2015, which set out details of certain issues related to historical accounting estimates pre-dating Mr Schoenfeld's appointment to the Board, the Committee has decided to cancel the options issued to Mr Schoenfeld on 7 January 2015 and proposes to re-issue a similar number of options to him following the announcement of the Company's results for the year ended 31 March 2015. It is expected that the new award will comprise market value options over 300,000 shares and will follow the same vesting profile as the cancelled options issued to Mr Schoenfeld on 7 January 2015. The new options will be made subject to performance conditions which will be broadly similar to the structure of those attached to the options issued to Andrew Lindsay on 1 July 2014 described above.

Mr Chris Houghton

The share options granted to former Finance Director Chris Houghton on 10 December 2008 and 26 June 2009 were fully exercised on 4 August 2014. In accordance with the rules of the Employee Share Option Plan, the Company elected to satisfy the exercise of 91,200 of these options by transferring 71,521 shares to Mr Houghton, representing the value of the gain made on these options at the prevailing market price for the shares. Following the exercise of these options, Mr Houghton sold 71,521 Ordinary Shares on 4 August 2014 at 1400p per share.

In addition to the above transactions, on 4 August 2014 Mr Houghton also exercised the remaining options over the 8,800 shares and acquired the shares at an exercise price of 340p per share.

The 50,000 options issued to Mr Houghton on 26 June 2012 and 50,000 on 16 December 2013 lapsed without being exercised on 3 October 2014 as a result of Mr Houghton leaving the Board of the Company.

At the year end the Company's share price was 888.22p and the range during the financial year was 888.22p to 1790.20p. Details of all the directors' interests in the shares of the Company are set out in the table in the Directors' Report on page 68.

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), Melvin Lawson (27 September 2006), and Michael Pavia (13 December 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.

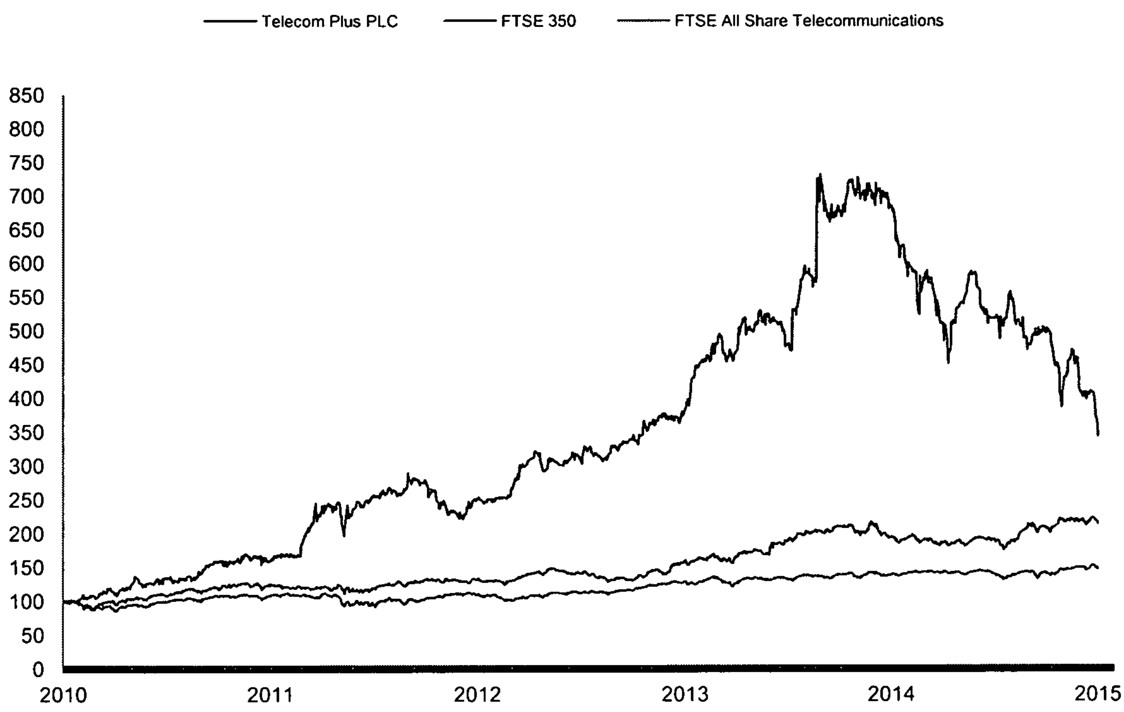
Pension Schemes (audited)

The Company makes no contributions to the pensions of any current directors except to Mr Wigoder, Mr Lindsay and Mr Schoenfeld, details of which are shown within the table on page 59.

Performance Graph showing Total Shareholder Return

The following graph shows the Company's performance measured by total shareholder return compared with the performance of the FTSE All Share Telecommunications Index and the FTSE 350 for the period 1 April 2010 to 31 March 2015. 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 16% of the Company's revenues are now generated from such telephony services.

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



Source: Bloomberg

Table of Historical Data

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

Year ended 31 March	**2011**	**2012**	**2013**	**2014**	**2015**
Single figure of total remuneration £'000	473	1,150	399	432	2,175
Percentage of maximum of share incentives vesting in year %	100	100	N/A	N/A	100

The gains on share incentive schemes vesting in the years ended 31 March 2011, 31 March 2012 and 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 options and the year end in which the awards vested. No share incentive awards vested to the Chief Executive in the years ended 31 March 2010, 2013, and 2014.

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	**2015 £'000**	**2014 £'000**	**Change %**
Salary	455	390	16.7
Benefits	4	3	33.3

The Company's pay review for the year ended 31 March 2015 which took effect on 1 April 2014 awarded average percentage increases in salaries to employees of 2.0%. The size of the increase awarded to Mr Lindsay reflected his strong personal performance and the incremental responsibility resulting from the significant increase in the size and profile of the Company during the previous year following the entering into of the new energy supply arrangements with Npower in December 2013. In addition the Committee was mindful of the prevailing market rates for remuneration packages of Chief Executives at similarly-sized companies. At other levels within the Company increases of a comparable relative proportion to Mr Lindsay's were made where appropriate to similarly reflect increases in responsibility for certain individuals.

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.

	2015 £'000	**2014 £'000**	**Change %**
Wages and salaries	23,698	20,666	14.7
Dividends paid	30,230	23,921	26.3
Corporation tax and social security costs paid	11,506	10,140	13.5

Statement of Implementation of Remuneration Policy in the Following Financial Year

Base Salaries

The Committee recommended that increases to the base salaries of the executive directors for the forthcoming year ended 31 March 2016, with effect from 1 April 2015, be made as described below.

Executive Chairman Charles Wigoder's annual base salary was increased from £420,000 to £426,300, the annual base salary of Chief Executive Andrew Lindsay was increased from £455,000 to £461,825, and Nick Schoenfeld the new Chief Financial Officer was increased from £400,000 to £406,000, these increases broadly reflecting the average increase in the base salaries of the majority of the Company's employees.

Share Incentive Schemes

Following the recent fall in the share price, the Committee feels that it is important to ensure that employees and distributors at all levels remain motivated and committed to the Company. It therefore believes that it is in the best interests of the Company to offer all employees and distributors with existing options that currently have an exercise price above the current market price the chance to have their existing options cancelled and to receive new options in their place. The maximum number of options that could therefore be cancelled and replaced is 712,950 (excluding the 300,000 share options being reissued to the new Chief Financial Officer as set out above). Irrespective of when the original options were granted, none of these replacement options will be exercisable earlier than three years from the new date of grant, thus helping to retain the employees concerned.

Full details of the proposed award will be set out in the Annual Report for the year ended 31 March 2016.

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 remuneration policy and report at last year's AGM are set out below:

	2014 AGM	%
To approve the Remuneration Policy		
Votes cast in favour & Chairman discretion	36,373,789	79.76
Votes cast against	9,230,504	20.24
Total	45,604,293	100.00
To approve the 2014 Remuneration Report		
Votes cast in favour & Chairman discretion	43,226,678	98.71
Votes cast against	563,317	1.29
Total	43,789,995	100.00

In addition to the above there were 838,888 votes withheld in relation to the approval of the Remuneration Policy and 2,653,186 votes withheld in relation to the approval of the 2014 Remuneration Report.

The Committee understands that a significant factor in relation to the relatively high number of votes cast against the Remuneration Policy related to concerns raised around the flexibility perceived to be inherent in the policy itself, particularly in relation to there being no specific upper award limit in place for share incentive scheme awards in any one year.

The Committee recognises that the Remuneration Policy allows for larger one-off share incentive scheme awards than might normally be expected. However, the Committee would like to take the opportunity to reassure shareholders of its intention to use this inherent flexibility only after the careful consideration of shareholders' best interests. The Committee would also like to highlight that whilst individual awards to directors in any one year might be considered large, unlike other listed companies, there is no expectation that awards will be made automatically on an annual basis. Furthermore, awards made will typically have longer than normal vesting periods of up to seven years. As has been offered in previous years, the Chairman of the Committee would be pleased to meet with shareholders to discuss any particular issues and discuss the Committee's overall approach to remuneration. Shareholders are also able to attend the Company's AGM in order to ask any questions they have around remuneration and other matters.

The UK Corporate Governance Code

The Committee acknowledges the new requirement set out in the Corporate Governance Code issued by the FRC in September 2014 ("the new Code") for companies to put in place arrangements that will enable them to recover or withhold variable pay when appropriate to do so. The new Code applies to accounting periods beginning on or after 1 October 2014.
The Committee does not currently propose to amend the Remuneration Policy approved by shareholders at the last AGM within the three year period of application originally envisaged in order to reflect these new requirements. Nonetheless, the Committee will remain mindful of the requirements of the new Code in this area when making future share incentive awards to directors. It is therefore likely that provisions to withhold or recover such share incentives in the event of fraud or malus committed by the director concerned will be included in the terms of such awards in future.

Julian Schild
Chairman of the Remuneration Committee
On behalf of the Board
22 June 2015

Directors' Report

The directors have pleasure in presenting their report and the audited financial statements for the year to 31 March 2015.

Principal Activities and Business Review

A full review of the development of the business is contained in the Strategic Report on pages 2 to 34. A summary of the financial risk management objectives and policies is contained in note 19 to the financial statements.

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

Results and Dividends

The profit for the year after tax of £32,301,000 (2014: £27,463,000) has been transferred to reserves. An interim dividend of 19p per share (2014: 16p) was paid during the year. A final dividend of 21p per share (2014: 19p per share) is proposed.

On 16 April 2015 the Board announced that it expected adjusted profit before tax to be between £52 million to £53 million for the year ended 31 March 2015. The actual adjusted profit before tax for the year ended 31 March 2015 was £52.2 million.

Directors

The names of directors who served during the year and their interests, including those of their connected persons, in the share capital of the Company at the start and end of the year are set out in the table below. Details of the directors' share incentive awards are disclosed in the Directors' Remuneration Report on page 61.

	Ordinary 5p shares held at	
	31 March 2015	31 March 2014
Charles Wigoder	16,026,366	16,055,866
Julian Schild*	158,682	116,682
Andrew Lindsay	135,312	132,312
Nick Schoenfeld (appointed 7 January 2015)	-	-
Melvin Lawson*	2,089,869	2,061,869
Michael Pavia*	26,391	26,391
Chris Houghton (resigned 3 October 2014)	n/a	-

* indicates non-executive directors

In respect of the above shareholdings, Mr Wigoder has a non-beneficial interest in 3,067,683 shares (2014: 3,067,683).

Following the year end, and ahead of the commencement of the Company's closed period, certain of the directors acquired further shares in the Company. The purchases were made on 16 April 2015 at a price of 800.75p per share as follows: (i) Charles Wigoder 46,875 shares; (ii) Julian Schild 31,250 shares; (iii) Nick Schoenfeld 6,250 shares; (iv) Melvin Lawson 46,875 shares; and (v) Michael Pavia 10,000 shares. The shares acquired remain held by the directors as at 22 June 2015.

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, as is currently the case for Mr Wigoder, are entitled under the Articles to appoint a director and remove any such director appointed.

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

Directors' Conflicts of Interest

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

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

Directors' and Officers' Liability Insurance

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

Employees

The requirements of the Companies Act 2006 in respect of employees are set out in the Strategic Report on pages 29 to 31.

Substantial Shareholders

As at 22 June 2015, in addition to the directors, the following have notified the Company of their substantial shareholdings as detailed below:

	Number of shares	Percentage of issued share capital
Standard Life Investments Ltd	11,052,923	13.8%
Schroders PLC	6,521,683	8.1%
Old Mutual Global Investors	3,465,057	4.3%
Legal & General Investment Mgt	2,653,386	3.3%

Capital Structure

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

Other than as set out below and so far as the directors are aware, there were no arrangements at 31 March 2015 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 2015 the JSOP Share Trust jointly held 500,000 shares with the Chief Executive, Mr Andrew Lindsay. Prior to vesting, 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 (formerly T-Mobile) 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 15 July 2014, the Company obtained authority to purchase up to 8,002,465 ordinary shares representing approximately 10% of the issued ordinary share capital (excluding treasury shares) as at 6 June 2014. The Company intends to renew this authority at this year's AGM.

During the year the Company made the following purchases of ordinary shares on the London Stock Exchange:

- On 20 June 2014 12,500 ordinary shares were purchased at 1322 pence per share and 7,500 were purchased at 1332 pence per share;
- On 3 July 2014 20,000 ordinary shares were purchased at 1243 pence per share; and
- On 10 July 2014 10,000 ordinary shares were purchased at 1200 pence per share, 7,000 at 1190 pence per share and 3,000 were purchased at 1195 pence per share.

These shares were purchased to be held in treasury.

Treasury shares
The Company held 60,000 ordinary shares in treasury as at 31 March 2015 (2014: Nil).

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 36 to 41.

Going Concern

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 2 to 34. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 18 to 22 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 Group has from Barclays Bank PLC ("Barclays") total working capital credit facilities of £35 million for the period to 20 December 2017. In addition the Group has a transaction loan facility of £70 million with Barclays which was fully drawn down at the year end.

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.

For and on behalf of the Board
David Baxter
Company Secretary
22 June 2015

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 director's 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 ongoing 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 or 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 performance, business model and strategy.

For and on behalf of the Board

Charles Wigoder
Executive Chairman
22 June 2015

Nick Schoenfeld
Chief Financial Officer
22 June 2015

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 2015 set out on pages 79 to 122. 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 2015 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.

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 were as follows:

Revenue recognition (£729.2 million)

Refer to page 46 (Audit Committee report), pages 86 and 88 (accounting policy) and pages 93 and 94 (financial disclosures)

The risk	The response
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 judgemental, 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. 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 and as a result revenues may be misstated.	In this area our audit procedures included: • we assessed the appropriateness of the revenue recognition through comparison with relevant accounting standards and industry practice; • we analysed the accuracy of the estimates made by the billing system for a sample of customers by comparing actual usage, obtained from meter readings, with the billing system generated estimated usage for the same period; • for a sample of customers, we agreed the meter readings, including those taken after the year end, used as the key inputs in assessing the estimation accuracy back to source documentation; • we tested the Group's controls over revenue recognition including

	reconciliations between the billing system, cash receipts and the general ledger; and • we also considered whether the critical accounting estimates, judgements and assumptions, and accounting policy disclosures properly reflect the judgements and estimates inherent in recognising revenue.

Valuation of intangible assets (£209.6 million)

Refer to page 46 (Audit Committee report), pages 86 and 89 (accounting policy) and pages 98 and 99 (financial disclosures)

The risk	The response
An intangible asset is held on the Group's balance sheet at amortised cost, representing an energy supply agreement to supply gas and electricity to the Group. The recoverability of the intangible asset is subject to judgement in terms of the assumptions used in the Group's discounted cash flow forecasts. Energy prices are volatile, and there are high levels of competition in the energy supply market, leading to changing market conditions. These factors increase the risk of error in the Group's assumptions and therefore increase the risk of impairment. 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.	In this area our audit procedures included: • assessing the appropriateness of the design and implementation of the Group's discounted cash flow model; • comparing actual performance for the year against forecasts in the model for the same period; • 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; • performing sensitivity analysis on the assumptions; and • assessing the adequacy of 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

The materiality for the Group financial statements as a whole was set at £2.0 million, determined with reference to a benchmark of Group profit before tax of £42.1 million, of which it represents 4.75%.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.1 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's four components we subjected the three significant components to audits for group reporting purposes, performed by the group audit team, using component materialities which ranged from £0.7 million to £1.5 million.

The remaining component, an equity accounted investment, was subject to specified risk-focused audit procedures by the group audit team.

The components within the scope of our work accounted for the following percentages of the group's results:

	Audits for group reporting purposes	**Specified risk-focused audit procedures**	**Total**
Group revenue	100.0%	0.0%	100.0%
Group profit before tax	81.9%	18.1%	100.0%
Group assets	97.5%	2.5%	100.0%

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;
- 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; and
- information given in the Corporate Governance Statement set out on pages 36 to 41 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

5 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 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; or

- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on pages 71 and 72, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 36 to 41 relating to the Company's compliance with the ten provisions of the 2012 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 page 73, 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

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

22 June 2015

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2015

	Note	2015 £'000	*Restated* 2014 £'000
Revenue	1	729,178	659,722
Cost of sales		(612,969)	(561,435)
Gross profit		116,209	98,287
Distribution expenses		(21,876)	(18,641)
Share incentive scheme charges		(151)	(125)
Total distribution expenses		(22,027)	(18,766)
Administrative expenses		(46,544)	(41,560)
Share incentive scheme credits/(charges)		1,173	(4,068)
Amortisation of intangible assets		(11,186)	(3,785)
Total administrative expenses		(56,557)	(49,413)
Other income		361	650
Operating profit	1,2	37,986	30,758
Financial income		133	109
Financial expenses		(2,066)	(855)
Net financial expense		(1,933)	(746)
Share of profit of associates	8	6,006	4,654
Profit before taxation		42,059	34,666
Taxation	4	(9,758)	(7,203)
Profit and other comprehensive income for the year attributable to owners of the parent		32,301	27,463
Basic earnings per share	16	40.6p	37.7p
Diluted earnings per share	16	40.2p	37.1p

Company number: 3263464

Consolidated Balance Sheets

As at 31 March 2015

	Note	2015 £'000	*Restated* 2014 £'000	*Restated* 2013 £'000
Assets				
Non-current assets				
Property, plant and equipment	5	41,800	23,379	18,950
Intangible assets	6	209,592	220,778	2,969
Goodwill	7	3,742	3,742	3,742
Investments in associates	8	10,843	8,814	7,216
Deferred tax	9	-	2,399	1,646
Other non-current receivables	10	13,929	13,061	10,300
Total non-current assets		279,906	272,173	44,823
Current assets				
Inventories		893	1,771	491
Trade and other receivables	11	28,128	39,143	16,357
Prepayments and accrued income	11	104,931	109,711	103,901
Cash		16,536	45,389	3,378
Total current assets		150,488	196,014	124,127
Total assets		430,394	468,187	168,950
Current liabilities				
Short term borrowings	12	(4,934)	(19,804)	(2,605)
Trade and other payables	13	(24,885)	(7,749)	(7,504)
Current tax payable		(1,086)	(1,495)	(1,402)
Deferred tax	9	(551)	-	-
Accrued expenses and deferred income	14	(115,472)	(139,622)	(95,745)
Total current liabilities		(146,928)	(168,670)	(107,256)
Non-current liabilities				
Long term borrowings	12	(64,139)	(79,216)	-
Deferred consideration	13	(21,500)	(21,500)	-
JSOP creditor	13	(1,507)	(4,080)	(685)
Total non-current liabilities		(87,146)	(104,796)	(685)
Total assets less total liabilities		196,320	194,721	61,009
Equity				
Share capital	15	4,011	4,001	3,530
Share premium		137,238	136,651	8,508
Treasury shares	15	(760)	-	-
JSOP reserve		(2,275)	(2,275)	(2,275)
Retained earnings		58,106	56,344	51,246
Total equity		196,320	194,721	61,009

These accounts were approved and authorised for issue by the Board on 22 June 2015

Andrew Lindsay Director

Nick Schoenfeld Director

Company number: 3263464

Company Balance Sheets

As at 31 March 2015

	Note	2015	*Restated* 2014	*Restated* 2013
		£'000	£'000	£'000
Assets				
Non-current assets				
Property, plant and equipment	5	41,800	23,379	18,950
Intangible assets	6	-	-	2,969
Investments in associates	8	1,668	1,497	1,497
Investments in subsidiary undertakings	8	227,097	227,097	-
Deferred tax	9	-	2,389	1,644
Other non-current receivables	10	12,100	10,301	12,575
Total non-current assets		282,665	264,663	37,635
Current assets				
Inventories		893	1,771	491
Trade and other receivables	11	12,689	12,997	16,315
Prepayments and accrued income	11	7,139	8,228	103,464
Cash		16,279	37,489	3,137
Total current assets		37,000	60,485	123,407
Total assets		319,665	325,148	161,042
Current liabilities				
Short term borrowings	12	(4,934)	(19,804)	(2,605)
Trade and other payables	13	(45,602)	(21,583)	(10,512)
Current tax payable		-	-	(1,347)
Deferred tax	9	(561)	-	-
Accrued expenses and deferred income	14	(9,914)	(8,219)	(95,334)
Total current liabilities		(61,011)	(49,606)	(109,798)
Non-current liabilities				
Long term borrowings	12	(64,139)	(79,216)	-
Deferred consideration	13	(21,500)	(21,500)	-
JSOP creditor	13	(1,507)	(4,080)	(685)
Total non-current liabilities		(87,146)	(104,796)	(685)
Total assets less total liabilities		171,508	170,746	50,559
Equity				
Share capital	15	4,011	4,001	3,530
Share premium		137,238	136,651	8,508
Treasury shares	15	(760)	-	-
Retained earnings		31,019	30,094	38,521
Total equity		171,508	170,746	50,559

These accounts were approved and authorised for issue by the Board on 22 June 2015

Andrew Lindsay Director

Nick Schoenfeld Director

Consolidated and Company Cash Flow Statements

For the year ended 31 March 2015

	Group		Company	
		Restated		*Restated*
	2015	**2014**	**2015**	**2014**
	£'000	£'000	£'000	£'000
Operating activities				
Profit before taxation	42,059	34,666	38,521	16,465
Adjustments for:				
Share of profit/distributions from associates	(6,006)	(4,654)	(4,148)	(3,056)
Net financial expense	1,933	746	1,933	746
Depreciation of property, plant and equipment	1,834	1,307	1,834	1,307
Amortisation of intangible assets	11,186	3,785	-	-
Amortisation of debt arrangement fees	367	118	367	118
Increase in inventories	878	(1,280)	878	(1,280)
Decrease/(increase) in trade and other receivables	14,914	40,321	(2,688)	103,747
(Decrease)/increase in trade and other payables	(7,427)	(89,281)	4,586	(89,731)
(Decrease)/increase in inter-company payable	-	-	20,628	13,689
Share incentive scheme charges	(1,022)	4,193	(1,022)	4,193
Corporation tax paid	(9,058)	(7,104)	(3,587)	(6,865)
Net cash flow from operating activities	49,658	(17,183)	57,302	39,333
Investing activities				
Purchase of property, plant and equipment	(20,306)	(5,736)	(20,306)	(5,736)
Disposal of property, plant and equipment	47	-	47	-
New energy supply agreement:				
- Cash consideration and fees paid	-	(202,629)	-	(202,629)
- Cash held in statutory entities acquired	-	64,175	-	-
Distribution from associated company	4,148	3,056	4,148	3,056
Purchase of shares in associated company	(171)	-	(171)	-
Interest received	130	107	129	107
Cash flow from investing activities	(16,152)	(141,027)	(16,153)	(205,202)
Financing activities				
Dividends paid	(30,230)	(23,921)	(30,230)	(23,921)
Interest paid	(1,652)	(769)	(1,652)	(769)
Drawdown of long term borrowing facilities	-	100,000	-	100,000
Repayment of borrowing facilities	(30,000)	-	(30,000)	-
Fees associated with long term borrowing facilities	(315)	(1,098)	(315)	(1,098)
Issue of new ordinary shares	598	131,061	598	131,061
Payment of share issue costs	-	(2,447)	-	(2,447)
Purchase of own shares	(760)	-	(760)	-
Cash flow from financing activities	(62,359)	202,826	(62,359)	202,826
Increase/(decrease) in cash and cash equivalents	(28,853)	44,616	(21,210)	36,957
Net cash and cash equivalents at the beginning of the year	45,389	773	37,489	532
Net cash and cash equivalents at the year end	16,536	45,389	16,279	37,489

Consolidated Statement of Changes in Equity

For the year ended 31 March 2015

Consolidated	Share capital £'000	Share premium £'000	Treasury shares £'000	JSOP reserve £'000	Retained earnings £'000	Total £'000
Previous balance at 1 April 2013	3,530	8,508	-	(2,275)	60,979	70,742
Adjustments	-	-	-	-	(9,733)	(9,733)
Restated balance at 1 April 2013	3,530	8,508	-	(2,275)	51,246	61,009
Profit and total comprehensive income for the year	-	-	-	-	27,463	27,463
Deferred tax on share options	-	-	-	-	748	748
Dividends	-	-	-	-	(23,921)	(23,921)
Credit arising on share options	-	-	-	-	808	808
Issue of new ordinary shares	471	130,590	-	-	-	131,061
Costs associated with the issue of new ordinary shares	-	(2,447)	-	-	-	(2,447)
Balance at 31 March 2014	4,001	136,651	-	(2,275)	56,344	194,721
Profit and total comprehensive income for the year	-	-	-	-	32,301	32,301
Deferred tax on share options	-	-	-	-	(1,861)	(1,861)
Dividends	-	-	-	-	(30,230)	(30,230)
Purchase of treasury shares	-	-	(760)	-	-	(760)
Credit arising on share options	-	-	-	-	1,552	1,552
Issue of new ordinary shares	10	587	-	-	-	597
Balance at 31 March 2015	4,011	137,238	(760)	(2,275)	58,106	196,320

Company Statement of Changes in Equity

For the year ended 31 March 2015

Company	Share capital £'000	Share premium £'000	Treasury shares £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2013	3,530	8,508	-	48,254	60,292
Adjustments	-	-	-	(9,733)	(9,733)
Restated balance at 1 April 2013	3,530	8,508	-	38,521	50,559
Profit and total comprehensive income for the year	-	-	-	13,938	13,938
Deferred tax on share options	-	-	-	748	748
Dividends	-	-	-	(23,921)	(23,921)
Credit arising on share options	-	-	-	808	808
Issue of new ordinary shares	471	130,590	-	-	131,061
Costs associated with the issue of new ordinary shares	-	(2,447)	-	-	(2,447)
Balance at 31 March 2014	4,001	136,651	-	30,094	170,746
Profit and total comprehensive income for the year	-	-	-	31,464	31,464
Deferred tax on share options	-	-	-	(1,861)	(1,861)
Dividends	-	-	-	(30,230)	(30,230)
Purchase of treasury shares	-	-	(760)	-	(760)
Credit arising on share options	-	-	-	1,552	1,552
Issue of new ordinary shares	10	587	-	-	597
Balance at 31 March 2015	4,011	137,238	(760)	31,019	171,508

Notes to the consolidated financial statements

General information

Telecom Plus PLC (the "Company") is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 March 2015 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 22 June 2015.

Presentation of financial statements

As a result of the relative size and volatility of the cash-settled share incentive scheme charges it has been decided to separately disclose the amounts on the face of the Consolidated Statement of Comprehensive Income. During the current period, as a result of the significant fall in the Company's share price, the share incentive scheme charge has become a credit due to the required revaluation of certain share incentives at year end. Separate disclosure was therefore deemed appropriate in order to provide a clearer understanding of the underlying performance of the business.

In view of the size and nature of the charge as a non-cash item, the amortisation of intangible assets 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 accounts are prepared on a going concern basis. The Board has decided to restate the Group's historical accounts to reflect the impact of a write-down of an unbilled energy debtor previously carried on the Group's balance sheet. Further detail regarding the restatement is set out in note 22.

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.

Notes to the consolidated financial statements

Significant accounting policies (continued)

(b) Basis of preparation (continued)

(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
The Group 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 notes 6 and 21.

(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 and a Joint Share Ownership Plan ("JSOP") 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 fair value of JSOP awards is also estimated using the Binomial valuation model, however, as a cash-settled award the valuation is conducted at each reporting period end. 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.

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 £31,464,000 (2014: £13,938,000).

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

- IAS 27 Separate Financial Statements (2011);
- IAS 28 Investments in Associates and Joint Ventures (2011);
- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements; and
- IFRS 12 Disclosure of Interests in Other Entities.

Notes to the consolidated financial statements

Significant accounting policies (continued)

(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.

(d) Business combinations
The acquisition of subsidiaries is accounted for in accordance with the guidance set out in IFRS 3 Business Combinations ("IFRS 3"). An analysis of whether any subsidiaries acquired constitute businesses in their own right is initially undertaken with reference to the guidance in IFRS 3.

Where an acquired subsidiary does not constitute a business under IFRS 3 (i.e. it does not have, inter alia, the inputs, processes and outputs to function on a standalone basis) the acquisition of the subsidiary is treated as an acquisition of assets. The assets acquired are recorded at cost and no goodwill is recognised. Transaction costs are capitalised as part of the cost of acquisition.

Where an acquired subsidiary constitutes a business under IFRS 3, the assets, liabilities and contingent liabilities of the subsidiary are measured at their fair value at the date of acquisition. Any excess of the fair value of consideration over the fair value of the identifiable net assets acquired is recorded as goodwill. Goodwill is reviewed for impairment at least annually and any impairment is recognised immediately in the Statement of Comprehensive Income.

Notes to the consolidated financial statements

Significant accounting policies (continued)

(e) 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.

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.

(f) Interest income
Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest rate method.

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

Notes to the consolidated financial statements

Significant accounting policies (continued)

(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) 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.

Notes to the consolidated financial statements

Significant accounting policies (continued)

(l) 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.

(m) 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.

(n) 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.

(o) Inventories
Inventories principally include mobile telephones 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.

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

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

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

Notes to the consolidated financial statements

Significant accounting policies (continued)

(q) 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.

(r) 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, revolving credit facilities.

(s) 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.

(t) 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.

(u) 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, except as set out below.

The Company established a Joint Share Ownership Plan (the "JSOP") on 30 March 2011. On vesting, any gains made on awards granted under the JSOP may be settled at the discretion of the Remuneration Committee either through: (i) a cash payment to the participant equal to the gain; or (ii) the transfer of legal and beneficial ownership to the participant of such number of shares as have full value equal to the gain.

JSOP awards are considered to be cash-settled and therefore a fair value liability is calculated using a binomial pricing model. The fair value is charged to the Statement of Comprehensive Income on a straight line basis over the vesting period of the award. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in the Statement of Comprehensive Income.

(v) 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.

Notes to the consolidated financial statements

Significant accounting policies (continued)

(w) 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.

(x) 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.

(y) 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.

(z) New standards issued but not yet effective
The Group has not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that adoption of the standards or interpretations which have been issued by the International Accounting Standards Board and endorsed by the EU, but have not been adopted, will have a material impact on the financial statements.

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 represent joining fees from the Group's distributors, the sale of marketing materials and sales of equipment including mobile phone handsets and wireless internet routers. Customer Management revenues are principally derived from the supply of fixed telephony, mobile telephony, gas, electricity and internet services to residential and small business customers.

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

Operating segments

	Year ended 31 March 2015			*Restated* Year ended 31 March 2014		
	Customer Management	**Customer Acquisition**	**Total**	**Customer Management**	**Customer Acquisition**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	712,652	16,526	729,178	643,503	16,219	659,722
Segment result	53,451	(15,465)	37,986	42,894	(12,136)	30,758
Operating profit			37,986			30,758
Net financing expense			(1,933)			(746)
Share of profit of associates			6,006			4,654
Profit before taxation			42,059			34,666
Taxation			(9,758)			(7,203)
Profit for the year			32,301			27,463
Segment assets	410,842	8,709	419,551	454,063	5,310	459,373
Investment in associates	10,843	-	10,843	8,814	-	8,814
Total assets	421,685	8,709	430,394	462,877	5,310	468,187
Segment liabilities	(231,048)	(3,026)	(234,074)	(269,818)	(3,648)	(273,466)
Net assets			196,320			194,721
Capital expenditure	(19,845)	(461)	(20,306)	(5,595)	(141)	(5,736)
Depreciation	1,792	42	1,834	1,275	32	1,307
Amortisation	11,186	-	11,186	3,785	-	3,785

The share of profit of associates relates to the Customer Management operating segment.

Notes to the consolidated financial statements

1. Segment reporting (continued)

Revenue by service

		2015	*Restated* 2014
		£'000	£'000
Customer Management			
	- Electricity	304,713	273,468
	- Gas	278,367	255,433
	- Fixed communications	93,706	82,189
	- Mobile	20,334	16,664
	- Other	15,532	15,749
		712,652	643,503
Customer Acquisition		16,526	16,219
		729,178	659,722

The Group operates solely in the United Kingdom.

2. Operating profit

Operating profit is stated after charging/(crediting):

	2015	2014
	£'000	£'000
Depreciation and amortisation	13,020	5,092
Loss/(profit) on disposal of fixed assets	(6)	(5)
Operating lease rentals - land and buildings	197	310
Auditor's remuneration - audit of Company and consolidated accounts	111	105
- audit of subsidiaries of the Company	39	15
- audit related assurance services	25	14
- taxation compliance services	-	10
- other taxation services	-	23
- other services	58	10
Inventories expensed	12,675	11,564
Receivables and accrued income impairment cost	10,682	9,859
Rental income	(361)	(650)

The 2014 Auditor's remuneration costs relate to services provided by the Group's previous auditor BDO LLP ("BDO"). During the current year BDO was paid £140,000 in relation to audit services conducted prior to their resignation and for taxation services. Total fees paid to the new auditor KPMG LLP during the year were £233,000 (2014: £352,000 paid to former auditor BDO).

Notes to the consolidated financial statements

3. Personnel expenses

	2015	2014
	£'000	£'000
The total charge in the Statement of Comprehensive Income comprised the following:		
Wages and salaries	23,698	20,666
Social security costs	2,443	2,636
Pension contributions	604	453
	26,745	23,755
Share incentive scheme (credits)/charges	(1,173)	4,068
	25,572	27,823

	2015	2014
Average number employed by the Group during the year (excluding directors):		
Customer Acquisition	102	94
Customer Management	685	602

	2015	2014
	£'000	£'000
The aggregate remuneration of the directors (included above) was as follows:		
Salaries, fees and other benefits	1,202	1,142
Pension contributions	83	106
	1,285	1,248
Share incentive scheme (credits)/charges	(2,402)	3,454
	(1,117)	4,702

The emoluments of the highest paid director were £458,451 (2014: £393,128) and pension costs were £40,000 (2014: £39,000). Three (2014: three) directors had contributions paid to their personal pension schemes.

Notes to the consolidated financial statements

4. Taxation

(i) Recognised in the Statement of Comprehensive Income

	2015	*Restated* 2014
	£'000	£'000
Current tax charge		
Current year	8,605	7,198
Adjustments for prior years	64	2
	8,669	7,200
Deferred tax charge		
Accelerated capital allowances	905	96
Other temporary differences	18	(11)
Increase/(deduction) in respect of share options	370	(434)
Adjustment for prior years	(204)	352
	1,089	3
Total tax charge	9,758	7,203

(ii) Reconciliation of total tax charge

	2015	2014
	£'000	£'000
Profit before tax	42,059	34,666
Corporation tax using the UK corporation tax rate of 21% (2014: 23%)	8,832	7,973
Expenses not deductible for taxation purposes	2,555	922
Adjustment in respect of share options exercised	(600)	(976)
Share of associate's tax charge	(1,261)	(1,071)
Adjustments in respect of prior years - current tax	64	2
- deferred tax	(204)	353
Deferred tax charged to equity	372	-
Total tax charge	9,758	7,203

(iii) Tax on items credited directly to equity

	2015	2014
	£'000	£'000
Deferred tax on share options	(1,861)	748

Notes to the consolidated financial statements

5. Property, plant and equipment

	Freehold land & buildings	Freehold & leasehold improvements	Assets under construction	Plant & machinery	Fixtures, fittings & office equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Group and Company							
2015							
Cost							
At 1 April 2014	15,774	685	3,685	1,043	8,510	387	30,084
Additions	-	28	19,038	-	1,112	128	20,306
Disposals	-	-	-	-	-	(64)	(64)
At 31 March 2015	15,774	713	22,723	1,043	9,622	451	50,326
Depreciation							
At 1 April 2014	(782)	(515)	-	(336)	(4,881)	(191)	(6,705)
Depreciation charge for the year	(158)	(62)	-	(70)	(1,467)	(77)	(1,834)
Disposals	-	-	-	-	-	13	13
At 31 March 2015	(940)	(577)	-	(406)	(6,348)	(255)	(8,526)
Net book amounts							
At 31 March 2015	14,834	136	22,723	637	3,274	196	41,800
2014							
Cost							
At 1 April 2013	15,774	608	160	1,043	6,517	284	24,386
Additions	-	77	3,525	-	1,993	141	5,736
Disposals		-	-	-	-	(38)	(38)
At 31 March 2014	15,774	685	3,685	1,043	8,510	387	30,084
Depreciation							
At 1 April 2013	(624)	(489)	-	(266)	(3,875)	(182)	(5,436)
Depreciation charge for the year	(158)	(26)	-	(70)	(1,006)	(47)	(1,307)
Disposals	-	-	-	-	-	38	38
At 31 March 2014	(782)	(515)	-	(336)	(4,881)	(191)	(6,705)
Net book amounts							
At 31 March 2014	14,992	170	3,685	707	3,629	196	23,379
At 31 March 2013	15,150	119	160	777	2,642	102	18,950

Notes to the consolidated financial statements

5. Property, plant and equipment (continued)

The Company's former head office building, Network HQ, has been classified as a fixed asset rather than an investment property as many members of staff remained in the building at year end. Included within freehold land and buildings is £7.9 million (2014: £7.9 million) of land which is not depreciated. Assets under construction comprise refurbishment work in relation to the Company's new Head Office building Merit House which was brought into use after the year end. Property, plant and equipment is not depreciated until the asset is brought into use.

6. Intangible assets

	2015 £'000	**2014** £'000
Group		
Cost		
At 1 April	224,563	2,969
Additions	-	221,594
At 31 March	224,563	224,563
Amortisation		
At 1 April	(3,785)	-
Charge for the year	(11,186)	(3,785)
At 31 March	(14,971)	(3,785)
Carrying amount		
At 31 March	209,592	220,778

The Group intangible assets primarily relate 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 payable on 20 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.

Notes to the consolidated financial statements

6. Intangible assets (continued)

The Group regularly monitors the carrying amount of the intangible assets. A review was undertaken at 31 March 2015 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 8.5% into perpetuity was used which was considered appropriate given the expectation that, for term of the contract and beyond, the Group will continue to derive significant value from supplying energy to its customers. The result of the review undertaken at 31 March 2015 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.

Further information regarding the energy supply arrangements is set out in note 21 of these financial statements.

7. Goodwill

	Goodwill
	£'000
Group	
2015	
Cost	
At 1 April 2014 and 31 March 2015	4,558
Impairment	
At 1 April 2014 and 31 March 2015	816
Carrying amounts	
At 31 March 2015	3,742
2014	
Cost	
At 1 April 2013 and 31 March 2014	4,558
Impairment	
At 1 April 2013 and 31 March 2014	816
Carrying amounts	
At 31 March 2014	3,742
At 31 March 2013	3,742

Notes to the consolidated financial statements

7. Goodwill (continued)

Goodwill is attributable wholly to the Customer Management operating segment and comprises assets relating to the Company's subsidiary Telecommunications Management Limited ("TML").

The Group regularly monitors the carrying amount of its goodwill. A review was undertaken at 31 March 2015 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 expectation that, for the foreseeable future, TML will continue to operate as a going concern. The result of the review undertaken at 31 March 2015 indicated that no impairment was necessary. No reasonably possible change in the assumptions used in the impairment calculation would give rise to an impairment of goodwill.

8. Investments

Fixed asset investments

The investment in the associate represents the cost of purchasing a 20% (2014: 20%) equity interest in the ordinary share capital of Opus Energy Group Limited ("Opus"), together with the Group's share of retained reserves. Opus is a supplier of gas and electricity to a range of businesses in the UK. Opus is incorporated in England and Wales.

	2015	2014
Associated undertaking	£'000	£'000
Cost		
At 1 April	1,497	1,497
Additions	171	-
At 31 March	1,668	1,497
Share of profit		
At 1 April	7,317	5,719
Share of profit after taxation for the year	6,006	4,654
Dividends received in the year	(4,148)	(3,056)
At 31 March	9,175	7,317
Carrying amounts		
At 31 March	10,843	8,814

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:

	2015	2014
	£'000	£'000
Non-current assets	2,499	2,159
Current assets	108,387	81,420
Cash and cash equivalents	25,118	21,116
Total assets	136,004	104,695
Current liabilities	(85,786)	(64,752)
Total liabilities	(85,786)	(64,752)
Net assets	50,218	39,943
Revenue	523,510	433,760
Depreciation and amortisation	(727)	(723)
Net interest	(224)	(166)
Other expenses	(484,565)	(402,637)
Total expenses	(485,516)	(403,526)
Profit before tax	37,994	30,234
Taxation	(7,965)	(7,023)
Profit after tax	30,029	23,211

Investment in subsidiary companies
The Company owns 100% of the ordinary share capital of Telecommunications Management Limited ("TML"), being two £1 shares. TML is incorporated in England and Wales. 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 Electricity Plus Supply Limited ("Electricity Plus") and Gas Plus Supply Limited ("Gas Plus"), being one £1 share in each company. Electricity Plus and Gas Plus are incorporated in England and Wales. 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.

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 payable 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.

Notes to the consolidated financial statements

8. Investments (continued)

The Company also owns 100% of the ordinary share capital of twelve dormant, non-trading subsidiaries. Full details of these subsidiaries are included as an annex to the Company's Annual Return.

9. Deferred tax

Deferred tax recognised in the financial statements is as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	£'000	£'000	£'000	£'000
Tax effect of temporary differences:				
Accelerated capital allowances	(927)	(119)	(937)	(129)
Other short term temporary differences	21	38	21	38
Employee benefits expected in excess of amount expensed	355	2,480	355	2,480
	(551)	2,399	(561)	2,389

	Group		Company	
	2015	**2014**	**2015**	**2014**
	£'000	£'000	£'000	£'000
At 1 April	2,399	1,646	2,389	1,644
Acquired deferred tax asset	-	8	-	-
Charged to the Statement of Comprehensive Income	(1,089)	(3)	(1,089)	(3)
Taken to equity	(1,861)	748	(1,861)	748
At 31 March	(551)	2,399	(561)	2,389

10. Other non-current receivables

	Group		Company	
	2015	**2014**	**2015**	**2014**
	£'000	£'000	£'000	£'000
Hire purchase agreements receivable	3,295	2,669	3,295	2,669
Loan to JSOP share trust	-	-	2,275	2,275
Trade receivables	6,845	7,029	2,741	1,994
Other non-current receivables	3,789	3,363	3,789	3,363
	13,929	13,061	12,100	10,301

No amounts receivable under hire purchase agreements are due after five years.

Notes to the consolidated financial statements

11. Receivables and accrued income

	Group		Company	
		Restated		*Restated*
	2015	**2014**	**2015**	**2014**
	£'000	£'000	£'000	£'000
Trade and other receivables	28,128	39,143	12,043	9,990
Current tax receivable	-	-	646	3,007
Trade and other receivables	28,128	39,143	12,689	12,997
Accrued income	101,542	104,675	4,938	5,385
Prepayments	3,389	5,036	2,201	2,843
Prepayments and accrued income	104,931	109,711	7,139	8,228
Trade and other receivables	28,128	39,143	12,689	12,997
Accrued income	101,542	104,675	4,938	5,385
Receivables and accrued income (net)	129,670	143,818	17,627	18,382

Gross accrued income of £102,861,000 (2014: £106,005,000) includes March revenue invoiced in April of £58,096,000 (2014: £55,148,000), unbilled energy debtors of £44,753,000 (2014: £50,836,000) and accrued income relating to property of £12,000 (2014: £21,000). Offset against this figure is an allowance for future credit losses of £1,319,000 (2014: £1,330,000), which is included in the allowance for credit losses of £17,236,000 (2014: £16,038,000). Other receivables include amounts due within one year relating to hire purchase agreements of £2,312,000 (2014: £1,489,000).

Allowance for credit losses on receivables and accrued income

	Group		Company	
	2015	**2014**	**2015**	**2014**
	£'000	£'000	£'000	£'000
Allowances as at 1 April	16,038	14,295	3,909	13,003
Transfers from/(to) subsidiaries	-	-	249	(6,929)
Additions – charged to Statement of Comprehensive Income	10,682	9,859	2,042	2,114
Allowances used on fully written down receivables	(9,484)	(8,116)	(1,446)	(4,279)
Allowances as at 31 March	17,236	16,038	4,754	3,909

Analysis of receivables and accrued income

	Group		Company	
		Restated		*Restated*
	2015	**2014**	**2015**	**2014**
	£'000	£'000	£'000	£'000
Receivables and accrued income (gross)	146,906	159,856	22,381	22,291
Allowance for credit losses	(17,236)	(16,038)	(4,754)	(3,909)
Receivables and accrued income (net)	129,670	143,818	17,627	18,382

Notes to the consolidated financial statements

11. Receivables and accrued income (continued)

At 31 March 2015 and 31 March 2014 the Group had no trade receivables that were passed due and not individually impaired.

In accordance with note (q) 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	**2015**	**2014**
	£'000	£'000
Bank loans	70,000	100,000
Unamortised bank loan arrangement fees	(927)	(980)
Working capital facilities	-	-
	69,073	99,020
Due within one year	5,000	20,000
Due after one year	65,000	80,000
	70,000	100,000

The Group entered into total bank loan facilities of £125 million during the year ended 31 March 2014, comprising a transaction facility of £100 million ("the Transaction Facility") which was fully drawn down as at 31 March 2014 and working capital facilities of £25 million ("the Working Capital Facilities") of which £Nil were drawn down as at 31 March 2014. The Transaction Facility was divided into two tranches: (i) Term Loan A of £70 million repayable by 20 December 2016; and (ii) Term Loan B of £30 million repayable by 20 December 2015.

In July 2014 the Group restructured the Transaction Facility which involved the early repayment of Term Loan B and extending the maturity and repayment dates of Term Loan A. An extension to the Working Capital Facilities up to £35 million was also agreed, with an additional £5 million for December 2014 to February 2015.

Notes to the consolidated financial statements

12. Interest bearing loans and borrowings (continued)

The Transaction Facility is now only comprised of Term Loan A of £70,000,000 repayable by 20 December 2017. Interest is charged in accordance with the schedule set out in the table below. As at 31 March 2015 the interest rate was LIBOR + 1.85%.

Term Loan A

Net Debt/EBITDA	Three month LIBOR +
>2.5x	2.60%
<2.5x	2.20%
<2.0x	1.85%
<1.5x	1.60%
<1.0x	1.35%

The Working Capital Facilities carry interest at the same rate as Term Loan A and are repayable by 20 December 2017. Any elements of the Working Capital Facilities which are used for the purposes of letters of credit carry interest at only the margin over three month LIBOR in accordance with the interest schedule for Term Loan A.

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

The Transaction Facility is stated net of unamortised arrangement fees of £927,000 (2014: £980,000) on the face of the Balance sheet. These costs have been capitalised and are being amortised over the term of the Transaction Facility.

In addition, as at 31 March 2015 the Company had letters of credit in place relating to certain energy distribution charges with a total value covered of £12,023,500 (2014: £11,787,500).

Maturity analysis

Group and Company	2015	2014
	£'000	£'000
Bank loans		
Due in one year or less	5,094	22,853
Due in more than one year but not more than two years	10,381	50,154
Due in more than two years but not more than five years	59,004	33,750
	74,479	106,757

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	
				Restated
	2015	**2014**	**2015**	**2014**
	£'000	£'000	£'000	£'000
Current				
Trade payables	20,771	7,038	5,340	3,785
Inter-company payables	-	-	37,787	17,159
Other taxation and social security	4,114	711	2,475	639
	24,885	7,749	45,602	21,583
Non-current				
Deferred consideration	21,500	21,500	21,500	21,500
JSOP creditor	1,507	4,080	1,507	4,080
	23,007	25,580	23,007	25,580

The JSOP creditor represents amounts accrued in respect of cash settled, share-based payments (see note 18). The deferred consideration is payable to Npower Limited on 20 December 2016 and relates to the entering into of new energy supply arrangements with Npower on 20 December 2013.

14. Accrued expenses and deferred income

	Group		Company	
		Restated		*Restated*
	2015	**2014**	**2015**	**2014**
	£'000	£'000	£'000	£'000
Accrued expenses	114,437	138,406	9,127	7,273
Deferred income	1,035	1,216	787	946
	115,472	139,622	9,914	8,219

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

	2015		2014	
	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	80,014	4,001	70,602	3,530
Issue of new ordinary shares	207	10	9,412	471
At 31 March	80,221	4,011	80,014	4,001

At the year end the Company's share price was 888.22p and the range during the financial year was 888.22p to 1,790.20p.

At 31 March 2015, the Company had 80,220,628 (2014: 80,013,784) shares in issue. The total number of voting rights of 5p ordinary shares in the Company was 80,160,628 (2014: 80,013,784), excluding shares held in treasury. Since the year end, a further 216 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 80,160,844.

During the year the Company made the following purchases of ordinary shares on the London Stock Exchange:

- on 20 June 2014 12,500 ordinary shares were purchased at 1,322 pence per share and 7,500 were purchased at 1,332 pence per share;
- on 3 July 2014 20,000 ordinary shares were purchased at 1,243 pence per share; and
- on 10 July 2014 10,000 ordinary shares were purchased at 1,200 pence per share, 7,000 at 1,190 pence per share and 3,000 were purchased at 1,195 pence per share.

These shares were purchased to be held in treasury and as at 31 March 2015 there were 60,000 ordinary shares held in treasury (2014: Nil).

There are 500,000 ordinary shares held in the JSOP Share Trust, representing approximately 0.6% 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 80,160,844.

Notes to the consolidated financial statements

15. Capital and reserves (continued)

Capital management

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

Total shareholder equity at 31 March 2015 was £196.3 million (2014: £194.7 million).

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

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

	2015	2014
	£'000	£'000
Prior year final paid 19p (2014: 18p) per share	15,105	12,656
Interim paid 19p (2014: 16p) per share	15,125	11,265

The Directors have proposed a final dividend of 21p per ordinary share totalling approximately £16.7 million, payable on 18 August 2015, to shareholders on the register at the close of business on 24 July 2015. In accordance with the Group's accounting policies the dividend has not been included as a liability as at 31 March 2015. 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 is based on the following data:

	2015 £'000	*Restated* 2014 £'000
Earnings for the purpose of basic and diluted earnings per share	32,301	27,463
Share incentive scheme (credits)/charges (net of tax)	(1,316)	4,038
Amortisation of intangible assets	11,186	3,785
Earnings excluding share incentive scheme charges and amortisation of intangibles for the purpose of adjusted basic and diluted earnings per share	42,171	35,286
	Number ('000s)	**Number** ('000s)
Weighted average number of ordinary shares for the purpose of basic earnings per share	79,581	72,775
Effect of dilutive potential ordinary shares (share incentive awards)	783	1,223
Weighted average number of ordinary shares for the purpose of diluted earnings per share	80,364	73,998
Adjusted basic earnings per share[1]	53.0p	48.5p
Basic earnings per share	40.6p	37.7p
Adjusted diluted earnings per share[1]	52.5p	47.7p
Diluted earnings per share	40.2p	37.1p

[1] Adjusted basic and diluted earnings per share 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.

Notes to the consolidated financial statements

16. Earnings per share (continued)

In accordance with IFRS 2 Share Based Payments ("IFRS 2"), awards made under the Company's JSOP share incentive scheme are deemed to be cash-settled. On vesting, any gains made on awards granted under the JSOP may be settled at the discretion of the Remuneration Committee either through: (i) a cash payment to the participant equal to the gain; or (ii) the transfer of legal and beneficial ownership to the participant of such number of shares as have full value equal to the gain. In line with IAS 33 for EPS purposes it is assumed the gains will be settled in shares and it has therefore been deemed appropriate to present the above analysis of earnings per share as adjusted for share incentive scheme charges. In the current year the share incentive charge relating to the JSOP was a credit of approximately £2,573,000 (2014: charge of approximately £3,395,000).

It has also been deemed appropriate to present the analysis of adjusted earnings per share excluding the amortisation of intangible assets arising from the energy supply agreement with Npower in order to present a clearer picture of the underlying trading performance of the Group.

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

	2015	2014
Amounts payable:	£'000	£'000
Less than one year	91	183
Between one and five years	248	251
	339	434

The principal lease arrangements relate to office premises.

Capital commitments

At 31 March 2015 the Company had capital commitments of approximately £2,481,000 (2014: £7,675,000) relating mainly to items in respect of the refurbishment of Merit House, the Group's new head office building, the acquisition of a small office building previously occupied by the Group and the acquisition of the licence for the source code of the software underlying the Group's billing system.

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 £194 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.

Notes to the consolidated financial statements

17. Commitments (continued)

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 £194 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.

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 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.

On 30 March 2011 the Company established a new Joint Share Ownership Plan ("The Telecom Plus PLC Joint Share Ownership Plan 2011" or "the JSOP"). Under the terms of the JSOP 500,000 shares were issued to an Employee Benefit Trust ("the JSOP Share Trust") administered by Barclays Wealth (Guernsey) Limited, which holds the shares jointly with the only current participant, Mr Lindsay. The JSOP Share Trust was provided with an interest free loan from the Company to subscribe for the 500,000 shares, and therefore the transaction was cash flow neutral for the Company.

As set out in note (u) of the Significant Accounting Policies, JSOP awards are considered to be cash-settled and therefore a fair value liability is calculated using a binomial pricing model. The fair value liability is charged to the Statement of Comprehensive Income on a straight line basis over the vesting period of the award. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in the amortisation charge in the Statement of Comprehensive Income.

The following key assumptions were used to determine the fair value liability of the JSOP award of 335p per share as at 31 March 2015: a strike price of 553p per share, a share price of 888p as at 31 March 2015, expected volatility of 39.0%, an expected remaining life of 1 day, a risk free rate of 0.34% and an expected dividend yield of 4.5%.

Notes to the consolidated financial statements

18. Share-based payments (continued)

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

	2015 Number	2015 Weighted average exercise price	2014 Number	2014 Weighted average exercise price
At 1 April	1,921,149	855p	2,243,787	514p
Options granted	1,040,900	1,294p	765,950	1,507p
Options exercised	(231,895)	407p	(653,888)	310p
Options lapsed/expired	(461,050)	1,405p	(434,700)	1,060p
At 31 March	2,269,104	991p	1,921,149	855p

The weighted average share price at the date of exercise for the options exercised during the year was 1,329p (2014: 1,612.9p).

During the year ended 31 March 2015, the Group issued share options to employees on three occasions and to distributors on two occasions as set out below. The options issued to distributors on 1 July 2014 include 24,700 options which have performance conditions attached relating to customer gathering activity to be achieved during the vesting period.

	2007 Employee Share Option Plan	2007 Employee Share Option Plan	2007 Employee Share Option Plan
Date of grant	01/07/2014	16/12/2014	07/01/2015
Number of options originally granted	442,950	253,250	300,000
Contractual life	10 years	10 years	10 years
Exercise price (pence)	1,337p	1,254p	1,262p
Share price at date of grant (pence)	1,325p	1,280p	1,233p
Number of employees	127	99	1
Expected volatility	42.41%	36.45%	36.58%
Expected option life	10 years	10 years	10 years
Risk free rate	1.22%	0.65%	0.83%
Expected dividend yield	2.99%	3.19%	3.17%
Fair value per option (pence)	448p	332p	341p

Notes to the consolidated financial statements

18. Share-based payments (continued)

	2007 Networkers and Consultants Share Option Plan	2007 Networkers and Consultants Share Option Plan
Date of grant	01/07/2014	16/12/2014
Number of options originally granted	28,200	16,500
Contractual life	10 years	10 years
Exercise price (pence)	1,337p	1,254p
Share price at date of grant (pence)	1,325p	1,280p
Number of distributors	43	11
Expected volatility	42.41%	36.45%
Expected option life	10 years	10 years
Risk free rate	1.22%	0.65%
Expected dividend yield	2.99%	3.19%
Fair value per option (pence)	448p	332p

During the previous year ended 31 March 2014, the Group issued share options to employees and distributors on two occasions as set out below. The options issued to distributors on 17 June 2013 and 16 December 2013 respectively include 79,000 and 139,000 options which have performance conditions attached which relate to customer gathering activity to be achieved during the vesting period.

	2007 Employee Share Option Plan	2007 Networkers and Consultants Share Option Plan	2007 Employee Share Option Plan	2007 Networkers and Consultants Share Option Plan
Date of grant	17/06/2013	17/06/2013	16/12/2013	16/12/2013
Number of options originally granted	259,700	82,000	284,500	139,750
Contractual life	10 years	10 years	10 years	10 years
Exercise price (pence)	1,219p	1,219p	1,739p	1,739p
Share price at date of grant (pence)	1,241p	1,241p	1,774p	1,774p
Number of employees/distributors	111	82	99	140
Expected volatility	24.42%	24.42%	39.24%	39.24%
Expected option life	10 years	10 years	10 years	10 years
Risk free rate	0.63%	0.63%	0.82%	0.82%
Expected dividend yield	2.54%	2.54%	2.01%	2.01%
Fair value per option (pence)	223p	223p	615p	615p

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 past 12 months.

Notes to the consolidated financial statements

18. Share-based payments (continued)

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

	Number 1 April 2014	Number 31 March 2015	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	21,250	21,250	340p	10 Dec 2011	9 Dec 2018
26 Jun 2009	15,000	12,000	278p	26 Jun 2012	25 Jun 2019
9 Dec 2009	10,000	10,000	305p	9 Dec 2012	8 Dec 2019
5 Jul 2010	178,684	152,763	338p	5 Jul 2013	3 Jul 2020
17 Dec 2010	7,632	6,759	442p	17 Dec 2013	16 Dec 2020
14 Jun 2011	7,000	5,000	603p	14 Jun 2014	11 Jun 2021
15 Dec 2011	15,000	12,000	774p	15 Dec 2014	14 Dec 2021
1 Jun 2012	107,000	58,000	721p	1 Jun 2015	31 May 2022
26 Jun 2012	11,000	11,000	828p	26 Jun 2015	25 Jun 2022
20 Nov 2012	35,000	24,000	854.5p	20 Nov 2015	19 Nov 2022
10 Dec 2012	17,000	17,000	878p	10 Dec 2015	9 Dec 2022
17 Jun 2013	22,000	7,000	1,219p	17 Jun 2016	16 Jun 2023
16 Dec 2013	49,750	9,750	1,739p	16 Dec 2016	15 Dec 2023
1 Jul 2014	-	18,000	1,337p	1 Jul 2017	30 Jun 2024
16 Dec 2014	-	16,500	1,254p	16 Dec 2017	15 Dec 2024
	502,316	387,022			
2007 Employee Share Option Plan					
30 Aug 2007	25,885	20,565	171p	30 Aug 2010	29 Aug 2017
17 Jan 2008	17,000	17,000	198p	17 Jan 2011	16 Jan 2018
12 Jun 2008	29,550	28,570	330.5p	12 Jun 2011	11 Jun 2018
10 Dec 2008	55,900	3,800	340p	10 Dec 2011	9 Dec 2018
26 Jun 2009	93,570	40,170	278p	26 Jun 2012	25 Jun 2019
9 Dec 2009	6,400	3,900	305p	9 Dec 2012	8 Dec 2019
5 Jul 2010	80,208	62,207	338p	5 Jul 2013	3 Jul 2020
17 Dec 2010	33,520	20,890	442p	17 Dec 2013	16 Dec 2020
14 Jun 2011	206,600	166,380	603p	14 Jun 2014	11 Jun 2021
15 Dec 2011	73,100	57,400	774p	15 Dec 2014	14 Dec 2021
26 Jun 2012	190,400	133,400	828p	26 Jun 2015	25 Jun 2022
10 Dec 2012	80,100	66,100	878p	10 Dec 2015	9 Dec 2022
17 Jun 2013	245,100	230,500	1,219p	17 Jun 2016	16 Jun 2023
16 Dec 2013	281,500	49,000	1,739p	16 Dec 2016	15 Dec 2023
1 Jul 2014	-	431,950	1,337p	1 Jul 2017	30 Jun 2024
16 Dec 2014	-	250,250	1,254p	16 Dec 2017	15 Dec 2024
7 Jan 2015	-	300,000	1,262p	7 Jan 2018	6 Jan 2025
	1,418,833	1,882,082			
	1,921,149	2,269,104			
Weighted average exercise price	855.4p	990.6p			

Notes to the consolidated financial statements

18. Share-based payments (continued)

At 31 March 2015, 650,404 share options were exercisable (2014: 580,599) at a weighted average exercise price of 443.1p (2014: 319.8p). The average remaining contractual life of the outstanding options was 7.9 years (2014: 7.7 years).

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 £158,593,000 (2014: £202,268,000) and for the Company of £46,008,000 (2014: £66,172,000). 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 £227,546,000 (2014: £251,835,000) and for the Company £143,488,000 (2014: £149,317,000).

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 £158,593,000 (2014: £202,268,000) and for the Company £46,008,000 (2014: £66,365,000).

Notes to the consolidated financial statements

19. Financial instruments (continued)

Interest rate risk

The Group finances its day to day operations primarily through cash generated within the business. Cash surpluses are placed on deposit with Barclays Bank PLC 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 despite the increase in the level of net borrowings resulting from the transaction with Npower in December 2013.

Commodity price risk

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

Liquidity risk

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

Foreign currency risk

The Group does not have any 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 £3,971,000 (2014: £4,242,000) due mainly from distributors which earns interest at variable rates above Base Rate.

Borrowing facilities

At 31 March 2015, the Group had total working capital facilities of £35,000,000 (2014: £25,000,000). These facilities are available to the Group until 20 December 2017. As at 31 March 2015 the Company had letters of credit in place relating to certain energy distribution charges with a total value covered of £12,023,500 (2014: £11,787,500).

At 31 March 2015, the Group had a transaction loan facility of £70,000,000 (2014: £100,000,000) which was fully drawn down.

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 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), its associate (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 23.8% of the voting shares of the Company.

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

	2015	2014
	£'000	£'000
Short term employee benefits	1,202	1,142
Social security costs	296	601
Post employment benefits	83	106
	1,581	1,849
Share incentive scheme (credits)/charges	(2,402)	3,454
	(821)	5,303

During the year, the Company acquired goods and services worth approximately £16,000 (2014: £16,000) from companies in which directors have a beneficial interest. No amounts were owed to these companies by the Company as at 31 March 2015. During the year, the Company sold goods and services worth approximately £33,000 (2014: £10,000) to companies in which directors have a beneficial interest.

During the year directors purchased goods and services on behalf of the Company worth approximately £375,000 (2014: £1,841,000). The directors were fully reimbursed for the purchases and no amounts were owing to the directors by the Company as at 31 March 2015.

During the year the Company sold a motor vehicle to a director for £46,000 which represented the market value of the vehicle at the time of the transaction.

Other related party transactions

Associates

During the year ended 31 March 2015, the associate supplied goods to the Group which amounted to £1,054,000 (2014: £903,000) and at 31 March 2015 the associate was owed £78,000 by the Group which is recognised within trade payables (2014: £72,000). Transactions with the associate are priced on an arm's length basis. Dividends received during the year from the associate amounted to £4,148,000 (2014: £3,056,000) relating to the financial year to 31 March 2014.

Notes to the consolidated financial statements

20. Related parties (continued)

Subsidiary companies

During the year ended 31 March 2015, the Company's subsidiaries purchased goods and services from the Company in the amount of £49,262,000 (2014: £9,350,000). At 31 March 2015 the Company owed the subsidiaries £37,787,000 which is recognised within trade payables (2014: £17,159,000 owed by the Company to the Subsidiaries).

21. Energy supply arrangements and acquisition of subsidiary undertakings

The Company entered into new energy supply arrangements with Npower through the acquisition of Electricity Plus Supply Limited and Gas Plus Supply Limited ("the Companies") from Npower Limited on 20 December 2013 ("the Transaction"). The Transaction had economic effect from 1 December 2013.

The accounting treatment for the Transaction was considered against the guidance set out in IFRS 3 Business Combinations ("IFRS 3").

It was determined that the acquisition of the Companies did not represent business combinations under IFRS 3 as both Companies did not have the three key elements of a standalone business as set out in IFRS 3 (i.e. inputs, processes and outputs). The principal factors behind this determination were as follows: (i) the Companies were originally set up solely as legal vehicles to facilitate the supply of energy to Telecom Plus customers by Npower; (ii) all customer relationships were acquired, held and managed by Telecom Plus; (iii) the Companies did not have any influence over the terms on which energy was supplied to them; (iv) the Companies were not able to influence who their customers were and had no pricing discretion for the onward supply of energy; (v) the Companies did not have any infrastructure, management or employees with all functions being carried out by either Telecom Plus or Npower; and (vi) given the unique nature of the Companies and the associated energy supply agreement between Telecom Plus and Npower, it was not considered feasible that another market participant could effectively acquire and operate the Companies on a standalone basis.

As a result of these factors the acquisition of the Companies was accounted for as an acquisition of assets rather than as business combinations.

The total consideration for the Transaction comprised a cash payment to Npower of £196.5 million on 20 December 2013, a deferred cash amount of £21.5 million payable on 20 December 2016 and a cash 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.

Summary balance sheets for the Companies as at 30 November 2013, adjusted for the payment of pre-disposal permitted dividends to Npower Limited on 11 December 2013 (Gas Plus Supply Limited: £1,378,000 and Electricity Plus Supply Limited: £1,876,000), are set out below:

Notes to the consolidated financial statements

21. Energy supply arrangements and acquisition of subsidiary undertakings (continued)

Gas Plus Supply Limited

As at 30 November	2013
	£'000
Current assets	
Accrued revenues	32,372
Cash	31,136
Total assets	63,508
Current liabilities	
Accruals and other creditors	(62,352)
Total liabilities	(62,352)
Net assets	1,156

Electricity Plus Supply Limited

As at 30 November	2013
	£'000
Current assets	
Accrued revenues	23,455
Prepayments and other debtors	15,849
Cash	33,039
Total assets	72,343
Current liabilities	
Trade creditors	(8,506)
Accruals and other creditors	(62,459)
Total liabilities	(70,965)
Net assets	1,378

22. Prior year restatement

A detailed review was recently conducted of the unbilled energy debtor previously carried on the Group's balance sheet and which had accumulated over the seven years between April 2007 and March 2014. As a result of this review it was concluded that a total of approximately £11 million (net of an anticipated tax credit), was not likely to be recoverable. This primarily related to higher levels of industry-wide leakage within the gas distribution network than had previously been anticipated.

Background
In common with other domestic energy suppliers, the majority of the Group's customer energy invoices are prepared using estimated meter readings, as actual meter readings are rarely available on the date that bills are produced. This gives rise to timing differences between the estimated volumes of energy invoiced to customers, and the actual volume of energy invoiced to the Group by energy industry system operators, which contribute to the unbilled energy debtor carried forward on the Group balance sheet.

A detailed assessment was recently undertaken of the accuracy of the estimates created by the Group's billing system and the recoverability of the unbilled energy debtor. This review of current and historic meter reading data that existed at each balance sheet date provided a strong endorsement of the accuracy of the Group's billing system in calculating customer usage, but showed that overall leakage within the gas industry (which is ultimately not billable to customers) had been running at a higher rate than previously expected.

It was therefore decided to write down the unbilled gas energy debtor to bring its value in line with the amount expected to be recoverable.

Restatement
The Board has decided to restate the Group's accounts to reflect the impact of this write-down on previous years in order to provide stakeholders with an accurate reflection of the historic underlying trend in the performance of the business.

Gas
Fully writing down the unbilled gas debtor insofar as it relates to our share of this industry-wide leakage, which has built up over the seven years to March 2014 has a negative balance sheet impact as at March 2014 of £11.0 million (net of the anticipated £1.8 million tax credit).

Electricity
As a result of the more sophisticated way in which wholesale costs are reconciled to actual customer meter readings by electricity industry system operators, the net negative balance sheet impact as at March 2014 from the restatement relating to Electricity is limited to £0.3 million. This impact relates solely to providing accurately for timing differences.

Notes to the consolidated financial statements

22. Prior year restatement (continued)

The tables below set out the impact of the restatement on each line item affected in the prior year comparative financial statements presented in this Annual Report.

Consolidated Statement of Comprehensive Income

	2014 *Reported* £'000	**Restatement adjustment** £'000	**2014** *Restated* £'000
Revenue	658,760	962	659,722
Cost of sales	(558,509)	(2,926)	(561,435)
Taxation	(7,655)	452	(7,203)
Net impact to profit after tax		(1,512)	
Adjusted basic earnings per share	50.6p	(2.1)p	48.5p
Basic earnings per share	39.8p	(2.1)p	37.7p
Adjusted diluted earnings per share	49.7p	(2.0)p	47.7p
Diluted earnings per share	39.2p	(2.1)p	37.1p

Consolidated Balance Sheet

	2014 *Reported* £'000	**Restatement adjustment** £'000	**2014** *Restated* £'000
Trade and other receivables	39,336	(193)	39,143
Prepayments and accrued income	120,786	(11,075)	109,711
Current tax payable	(3,360)	1,865	(1,495)
Accrued expenses and deferred income	(137,780)	(1,842)	(139,622)
Retained earnings	67,589	(11,245)	56,344

	2013 *Reported* £'000	**Restatement adjustment** £'000	**2013** *Restated* £'000
Trade and other receivables	16,541	(184)	16,357
Prepayments and accrued income	115,947	(12,046)	103,901
Current tax payable	(2,815)	1,413	(1,402)
Accrued expenses and deferred income	(96,829)	1,084	(95,745)
Retained earnings	60,979	(9,733)	51,246

Notes to the consolidated financial statements

22. Prior year restatement (continued)

Company Balance Sheet

	2014 *Reported* £'000	**Restatement adjustment** £'000	**2014** *Restated* £'000
Trade and other receivables	10,636	2,361	12,997
Trade and other payables	(4,424)	(17,159)	(21,583)
Accrued expenses and deferred income	(8,411)	192	(8,219)
Retained earnings	44,700	(14,606)	30,094

	2013 *Reported* £'000	**Restatement adjustment** £'000	**2013** *Restated* £'000
Trade and other receivables	16,499	(184)	16,315
Prepayments and accrued income	115,510	(12,046)	103,464
Current tax payable	(2,760)	1,413	(1,347)
Accrued expenses and deferred income	(96,418)	1,084	(95,334)
Retained earnings	48,254	(9,733)	38,521