

18 June 2021

Telecom Plus Plc Final Results



Year ended 31 March 2021

TelecomPlus

Introduction

Telecom Plus PLC - Final Results for the year ended 31 March 2021

Telecom Plus PLC (trading as Utility Warehouse), which supplies a wide range of utility services focussed on domestic customers, today announces its final results for the year ended 31 March 2021.

Financial Highlights:

- Results in line with expectations
- Revenue of £861.2m (2020: £875.8m)
- Adjusted profit before tax of £56.1m (2020: £60.8m)
- Statutory profit before tax of £43.5m (2020: £48.1m)
- Adjusted EPS of 57.4p (2020: 61.8p)
- Statutory EPS of 41.5p (2020: 45.9p)
- Full year dividend maintained at 57p per share

Operating Highlights:

- Resilient performance across all aspects of the business despite covid challenges
- Continued growth in both customers and Partners
- Number of services supplied up 2.5%
- Good progress in digital transformation project
- Which? Utilities Brand of the Year 2020

Outlook:

- Anticipate adjusted current year profit before tax increasing to around £60m, with a maintained dividend of 57p

Andrew Lindsay, CEO, commented:

“Against the challenging backdrop of the past year, I am very pleased with the resilient performance of the business, and incredibly proud of the spirit that our staff and Team Purple - our 48,000 Partners - have demonstrated throughout the period.

“We are emerging from the pandemic with considerable optimism about the future: as millions prepare to return to their workplaces after prolonged periods of working from home, the alternative flexible income opportunity that we offer our Partners has never held such appeal.

“We are hugely excited by the prospect of helping many more people to get on in life and achieve their goals in partnership with UW over the months and years ahead, and are investing in both our customer and Partner propositions to meet the rising demand that we anticipate.”

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

Introduction

continued

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About Telecom Plus PLC (“Telecom Plus”):

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

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

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

Cautionary statement regarding forward-looking statements

This Announcement may contain “forward-looking statements” with respect to certain of the Company’s plans and its current goals and expectations relating to its future financial condition, performance, strategic initiatives, objectives and results. Forward-looking statements sometimes use words such as “aim”, “anticipate”, “target”, “expect”, “estimate”, “intend”, “plan”, “goal”, “believe”, “seek”, “may”, “could”, “outlook” or other words of similar meaning. By their nature, all forward-looking statements involve risk and uncertainty because they are based on numerous assumptions regarding the Company’s present and future business strategies, relate to future events and depend on circumstances which are or may be beyond the control of the Company which could cause actual results or trends to differ materially from those made in or suggested by the forward-looking statements in this Announcement, including, but not limited to, domestic and global economic business conditions; market-related risks such as fluctuations in interest rates; the policies and actions of governmental and regulatory authorities; the effect of competition, inflation and deflation; the effect of legislative, fiscal, tax and regulatory developments in the jurisdictions in which the Company and its respective affiliates operate; the effect of volatility in the equity, capital and credit markets on profitability and ability to access capital and credit; a decline in credit ratings of the Company; the effect of operational risks; an unexpected decline in sales for the Company; any limitations of internal financial reporting controls; and the loss of key personnel. Any forward-looking statements made in this Announcement by or on behalf of the Company speak only as of the date they are made. Save as required by the Market Abuse Regulation, the Disclosure Guidance and Transparency Rules, the Listing Rules or by law, the Company undertakes no obligation to update these forward-looking statements and will not publicly release any revisions it may make to these forward-looking statements that may occur due to any change in its expectations or to reflect events or circumstances after the date of this Announcement.

Chairman's Statement

I am pleased to report a resilient performance by the Company during some of the most challenging conditions that we, in common with most other businesses, have ever faced. Against this backdrop, we are delighted to have achieved modest growth in both customer and service numbers, with profitability remaining close to last year's record level, and are proposing to pay a maintained full-year dividend.

Adjusted pre-tax profits fell by 7.7% to £56.1m (2020: £60.8m) reflecting higher admin expenses (including covid-related factors), on revenue down by 1.7% to £861.2m (2020: £875.8m) largely due to lower energy prices during the peak winter period. Adjusted earnings per share for the year declined by 7.1% to 57.4p (2020: 61.8p). Statutory pre-tax profits fell by 9.6% to £43.5m (2020: £48.1m), and statutory EPS fell by 9.6% to 41.5p (2020: 45.9p).

Customer numbers increased by 0.8% to 657,411 (2020: 652,237) with service numbers growing by 2.5% to 2,073,797 (2020: 2,022,716). These reflect a modest pick-up in activity during the second half as Partners became increasingly confident in the competitiveness of our proposition, and more proficient at using the remote sign-up tools we introduced during last spring.

We received a number of awards during the year recognising both the value we offer and the quality of service provided by our UK-based support teams; these are testament to our customer-centric approach, our commitment to treating our customers fairly, our ongoing mission to be the Nation's most trusted utility provider, and the significant resources invested in delivering the best possible customer service.

Dividend

We are proposing a final dividend of 30p (2020: 30p), bringing the total for the year to 57p (2020: 57p), reflecting our strong balance sheet and confidence in the outlook for the coming year. It will be paid on 30 July 2021 to shareholders on the register at the close of business on 9 July 2021 subject to approval by shareholders at the Company's AGM which will be held on 22 July 2021.

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

Our environmental, social and governance strategy

We have undertaken a comprehensive review of our Environmental, Social & Governance ('ESG') strategy and the initiatives which support our efforts. Engaging with our key stakeholders and conducting a materiality assessment has helped clarify the priority issues for our business going forwards, which are set out in detail in our ESG Report.

This Report sets out the commitments we are making for this year and the years to come, and how they align with the ambitions of the UN Sustainable Development Goals ('SDGs').

Whilst we have limited scope to influence how much electricity from each type of generation enters the National Grid each year, we particularly acknowledge that as an organisation supplying energy to consumers, we have a responsibility to help to protect our environment and continue to play our part in the UK transition to Net Zero.

We are pleased with the steps we have taken this year to define and implement our ESG strategy, albeit acknowledging that, like all businesses, there is always more we can do.

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.

Chairman's Statement

continued

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

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

Recent Trading and Outlook

Recent Trading

With partial lockdown restrictions still in place, it is taking longer than expected for Partner activity to return to pre-covid levels; we anticipate this will happen progressively over the coming months as the remaining restrictions on social distancing are lifted, and the economy weans itself off the unprecedented government financial support which is still being provided.

We have seen a reduction in churn over recent weeks compared with the same period last year and are also starting to see improved penetration of our financial services products amongst new customers following their recent incorporation into the customer initial sign-up journey.

Energy Prices

The level of the energy price cap increased by almost £100 at the start of April, a substantial rise that reflects both rising wholesale prices and higher covid-related costs. Since then, wholesale costs have remained at an elevated level, which makes the switching market particularly challenging for all market participants.

Despite this, many independent suppliers are still setting their retail prices at whatever level is required to attract new customers on price comparison sites, irrespective of the impact it will inevitably have on their profitability and cashflow; as a result, we continue to see them reporting significant and unsustainable losses in their latest published accounts. A number of further suppliers have left the market over the last 12 months, with further insolvencies likely in the event that the current Ofgem consultation (designed to prevent suppliers using customer deposits as a substitute for shareholder capital) becomes effective.

Outlook

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

Whilst our business model benefits from enormous financial resilience - as clearly demonstrated last year - over the shorter term the levels of Partner activity (and hence our net growth) can be impacted by the wider macroeconomic climate. Currently, and over the last year, the combination of higher household savings and unprecedented government support resulted in lower Partner activity and a corresponding reduction in net growth; at other times, such as during the aftermath of the Global Financial Crisis of 2007, we saw an environment where reducing household expenditure became much more important to consumers, and the need to make money (addressed by our Partner opportunity) became far more urgent - combining to deliver sharply higher net growth.

And in the meantime, prolonged periods of working from home have led many to reconsider their work-life choices, and the growing attractiveness of the meaningful near-term income opportunity we offer, which requires no previous qualifications and has no geographic limitations. This is expected to drive increased Partner recruitment and activity in the months and years ahead; and as macroeconomic conditions start to swing back in our favour this autumn, we are increasingly confident that the pent-up demand for our flexible income opportunity will deliver a return to pre-pandemic levels of net service growth, and provide a solid platform from which to deliver our medium term goals.

Chairman's Statement

continued

We intend to capitalise on these favourable market trends by investing further in both our customer and Partner propositions, as illustrated by the improvements we made at our recent 'Power Up' event. We now expect full-year organic service growth at a similar level to last year, weighted towards the second-half, as our Partners get back into their stride.

From a financial perspective, and in the absence of unforeseen circumstances, we anticipate adjusted full year profit before tax increasing to around £60m, with a maintained dividend of 57p.

Our medium-term growth objectives beyond the current year, of taking our customer numbers to one million (and beyond) remain unchanged, and I look forward to the opportunities and value that achieving them will create for all stakeholders.

Once again, I would like to thank my boardroom colleagues for their support and all our staff and Partners for their loyalty and hard work, in helping us achieve such a strong performance this year against a background of such challenging conditions.

Charles Wigoder
Executive Chairman
18 June 2021

Chief Executive's Review

Against the backdrop of extraordinary disruption over the last year, our business has demonstrated its inherent strength and sustainability.

We continue to supply over half a million households with a growing range of essential services, which have assumed an even greater importance in people's lives whilst they have been restricted to their homes. On all fronts, I am extremely proud of the resilience of the underlying services we supply, the service levels we continue to offer, and the performance of our teams in supporting our customers and Partners so well during this uniquely challenging period.

General public perception of our markets is changing, and switching suppliers to achieve short-term savings has become just one factor to be considered, alongside the stability and continuity of supply (especially in relation to broadband), and the quality of customer service and personal care being provided.

As a business with a marketing model built on spreading the word, one neighbour at a time, the restrictions of the last year which we have largely all spent in lockdown have been hugely challenging, preventing our Partners from following their usual modus operandi of informal networking as part of their day-to-day social interactions. Like everyone else, they have had to adapt to a new remote world, learning new skills and promoting UW via Zoom from their kitchen tables.

As covid-related government stimulus packages are progressively withdrawn, and the prospect of inflation looms, it is clear that household budgets will come under increasing pressure - an environment in which our business has historically thrived, with people looking to either save money on their bills or make money. We cater for both.

The most notable impact of covid on our business, however, has been the seismic shift in both employer and employee perceptions of working from home. Historically an exception, more recently a theme in the 'gig' economy, flexible home-based working has of necessity become entirely mainstream over the last twelve months.

Many people are reconsidering their work-life choices, and the meaningful near-term income opportunity we offer, that requires no previous qualifications and has no geographic limitations, is becoming increasingly attractive. This, along with the longer-term potential to build a truly sustainable residual income, is expected to drive increased demand for our proven income opportunity, and we are working to ensure our business is positioned to capitalise on this exciting new dynamic.

Our business model

Our overall purpose as a business is to help our Partners achieve their personal goals, whatever they may be, through their involvement with UW.

They do this by successfully encouraging their friends and family to switch just once onto our 'all your home services in one' fair, long-term pricing proposition, then spending the time and money they save on things that actually matter to them, rather than worrying each year whether their utility pricing is still competitive.

It is our genuinely differentiated multiservice customer proposition combined with this highly efficient route to market (that in itself represents an attractive proposition to many consumers), that lies at the heart of our business model.

All your home services in one

We supply households and small businesses throughout the UK with a wide range of essential services under the UW brand - broadband, mobile, energy and insurance. Our multiservice proposition offers our customers:

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

As the UK's only fully integrated multiservice provider, we derive significant ongoing operating efficiencies by spreading a single set of overheads across the multiple revenue streams we receive from each of our customers.

Chief Executive's Review

continued

A smarter way to earn

We offer our Partners a highly flexible opportunity to make money by telling their friends and family about UW, helping them switch essential services, that they are already taking from other suppliers, to us. In return, they can receive a share of the revenues generated by those customers, into perpetuity.

Between them, our 48,000 Partners have introduced virtually every one of our 650,000 customers to us. They are inherently local and trusted brand advocates who spread the word about UW, one neighbour at a time.

The clear alignment of interests that underpins our Partner revenue-sharing model enables us to build a uniquely high-quality customer demographic, in an effective and cost-efficient fashion.

Our markets

The broadband, mobile, energy and insurance markets are each individually significant; combined, they represent a vast opportunity. With a market share of under 2%, there are few practical constraints on the size of business we can build organically.

We do not seek to persuade consumers to buy something they don't already have and may not need: we simply offer them an easier and better solution for services they are already using. And whilst each of the markets is constantly evolving, our business is built on the inherent long-term stability of these non-discretionary revenue streams, and the attractive niche we have identified where we benefit from the efficiencies of combining multiple services within an integrated cost-base, with a clearly differentiated route to market.

Each individual market is typically dominated by a relatively small group of former monopoly suppliers or key infrastructure owners, with a number of independent suppliers competing for market share with varying degrees of success. As largely commoditised services, however, there is little scope for genuine long-term differentiation in consumer propositions for individual services, and customer acquisition across all of these marketplaces is largely driven by exploitative price-walking tactics, or by incurring deep financial losses in an attempt to achieve scale.

As a consequence, the markets have become polarised, with the majority of UK consumers being exploited on price by their suppliers. In turn, a minority are exploiting the pricing practices of their suppliers to secure their services at unsustainable pricing levels.

Market-wide 'racing to the bottom' on price inevitably undermines consumer trust and ultimately reduces customer engagement. Accordingly, there is significant media scrutiny and increasing regulatory intervention across all the markets for essential household services. First were Ofgem, following the CMA investigation into the energy markets, with a price cap implemented in 2019; this was quickly followed by Ofcom announcing new codes of practice covering the broadband market in 2019, and now an ongoing FCA investigation into price walking in the insurance markets is expected to result in significant market intervention later this year. We welcome this focus on the unfair pricing practices prevalent in our markets, and the desire to address the resultant consumer detriment.

Our customers

Ultimately our aim is to help our customers to get on with their lives by delivering consistently fair value and great service, ensuring they never need to think about switching their utilities again.

We must compete toe-to-toe for their custom in each of the individual markets we operate in, but our 'all your home services in one' proposition, combined with the trusted recommendation of UW from a Partner who is a neighbour or friend, offers our customers a highly attractive alternative way to purchase their essential household services.

Chief Executive's Review

continued

Each of the personal recommendations made by our Partners is based on trust. Our business is therefore founded on an absolute commitment to live up to that recommendation, and trust and fairness lie at the heart of our proposition. We are well aware that our customers have plenty of alternative choices and if they switch away from UW not only do we lose their custom, but our Partner does too.

We therefore seek to maximise the length of time that customers stay with UW, encouraging them to increase the number of services they take from us by offering incrementally better value with each additional service they apply for.

We also target new customers who move home less often (i.e. homeowners), as occupancy changes pose particular challenges to broadband and energy suppliers, and represent a prime source of churn and bad debt.

This inherently long-term approach to building value, with a focus on acquiring high quality customers in a cost-effective way, represents a uniquely sustainable approach to the markets in which we operate, and creates significantly greater value to all stakeholders:

- our customers receive the most competitive prices over the long term in return for switching all their services
- our Partners have the confidence that they will receive a long-term residual income stream from a longer-lasting customer
- our shareholders receive a sustainable earnings stream from an inherently sustainable business.

The quality of our customer base, as measured against the metrics of multiservice penetration and owner-occupancy, has been a key focus for many years.

The proportion of new residential customers who are homeowners, or are taking at least three core services (broadband, mobile, energy and insurance) at the point of sign-up, are both consistently above 50%, and the latter metric for our existing residential customer base is now over 31%. These high-value customers generate higher revenues, display the lowest churn, and have a lifetime value many times greater than those taking fewer services from us.

In commoditised markets dominated by headline prices, we believe that sustainable value can only be derived from long-term relationships with our customers - as those who have chosen to switch on a comparison site will have a high propensity to do so again when their introductory deal expires. Our alternative approach of earning the trust of our customers, by rewarding loyalty and commitment, is a key point of differentiation that will enable us to achieve our medium-term growth objectives, and help us maximise long-term shareholder value.

Our tech

A key enabler of our multiservice proposition is our technology. By fully integrating all the household services we supply into a single monthly bill, supported by a single set of central overheads, our technology gives us a fundamental, long-term cost advantage relative to other suppliers in each of the markets we operate in.

With a cost to serve our customers that is materially and sustainably lower than any of our competitors, we are able to offer attractive pricing over the long term, combined with best-in-class service levels to our customers.

We continue to make good progress on our digital transformation project. Whilst this ongoing investment represents a short-term drag, it is the right long-term decision for the business: we are increasingly seeing the operating efficiencies and performance improvements come through, both in terms of delivering the tools and support our Partners need to achieve their goals through UW, and in providing improved service levels to our customers.

Chief Executive's Review continued

Our suppliers

We have strong commercial relationships with our key suppliers, who recognise the value of our unique approach to each of the markets we operate in, and the importance that we maintain a competitive and attractive customer proposition for our Partners to recommend.

Our suppliers benefit from a complementary and clearly differentiated way of growing their market share, as our multiservice customer proposition and unique distribution channel mean we are largely taking market share from their competitors rather than their own retail arms. Moreover, the sustainability of our business model (as evidenced by the strength of our balance sheet, and the longevity of our customers) enhances our appeal and enables us to access highly competitive terms.

We meet regularly with each of them to discuss how the market dynamics for each of our services are changing, and the best way to ensure we can harness these to our mutual benefit, including (where appropriate) by making amendments to our supply agreements.

We believe these are genuinely mutually beneficial relationships, and their average tenure - typically over 15 years - is testament to their strength, and the value that both sides attribute to them.

Our Partners

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

Through UW, they can create real financial security for themselves and their families by signing up new customers and introducing our flexible income opportunity to other like-minded people; in doing so, they can earn meaningful short-term financial rewards combined with a long-term residual income.

They are at the core of our business model and give us a significant competitive advantage through their ability to communicate the benefits of our unique multiservice retail proposition to high quality customers, who in many cases have never previously switched supplier; this is in stark contrast to the traditional routes to market (i.e. broadcast advertising and price comparison sites) adopted by most other suppliers.

The pandemic has highlighted the attractiveness of our Partner opportunity, with rising demand for our alternative and highly flexible income stream to replace or supplement their previous income sources.

Our Strategy

We seek to increase our share of the markets in which we operate, improving the value, range, and quality of service we provide, to build an ever more robust and sustainable business serving the interests of all our stakeholders - our Partners, customers, employees and shareholders.

We aim to achieve this primarily through organic growth, by leveraging our greatest asset - our Partners. In return for recommending UW to their friends and family, we offer people of any age, gender, location or educational background an alternative and highly flexible way to earn an additional income and achieve their personal goals.

Our Partner model is underpinned by our highly referable UW customer proposition: by supplying households and small businesses with a wide range of essential services - broadband, mobile, energy and insurance - we enable our customers to get on with their lives, and to spend the time and money they save through UW on things that actually matter to them, rather than worrying about whether they are being overcharged by their existing suppliers.

Chief Executive's Review

continued

By effectively combining this unique route to market with the defensive revenue streams generated by the essential services we supply, we aim to deliver a robust, growing and sustainable business.

At the heart of this strategy is the clear alignment of interests between us and our Partners. Put simply, their success is our success; so our focus is therefore on growing the number of successful UW Partners.

Increasing the number of Partners actively recommending UW

Becoming a UW Partner is, in itself, a highly marketable consumer proposition whose attractiveness has been highlighted during the pandemic, when prolonged periods of working from home have altered perceptions of the traditional work/life balance; and the flexible and sustainable opportunity we offer our Partners adds up to much more than just an income.

We aim to empower tens of thousands of people, from all backgrounds, to get on in life through UW, in their own time, and on their own terms; we believe the UW Partner model is ideally suited to meet the rising demand for new ways of working, so raising awareness of our opportunity, and positioning it for mass appeal is a key priority.

Making it easier for our Partners to achieve their goals through UW

At the heart of our strategy is the clear objective of making it easier for our Partners to promote UW. We break this down into three distinct areas of focus:

1. Investing in tools for our Partners

Continuing to deploy significant resources to identify the challenges our Partners face on a day-to-day basis, then developing solutions which address them. In the past year this work was heavily focused on enabling them to gather customers and sign up new Partners remotely.

2. Simplifying and developing our multiservice customer proposition to improve its referability

Maintaining a relentless focus on delivering best-in-class service and support to our customers, always treating them fairly, and investing in our technology and support teams to achieve this. To these ends, we have significantly improved access for our customers through longer call-centre opening hours, introducing online chat, and enhancing our mobile app.

Equally importantly, continually seeking to simplify and improve the competitiveness of our proposition, and innovating where necessary. And further evolving our customer proposition to reflect consumer demand in each of the markets we operate in - for example full fibre broadband, EV charging points and in-home smart energy services.

3. Opening up significant additional markets

Expanding our current range of services into related areas - such as our progressive move into the insurance market with the introduction Home Insurance and Boiler and Home Cover. Similarly the success we have had in increasing the number of boiler installations through Glow Green.

And broadening the appeal of our customer proposition to segments of the market we currently do not target - notably tenanted properties (potentially via a 'take control' PAYG proposition), and in due course relaunching our proposition for SMEs, an attractive and underserved segment of market in which we have historically enjoyed success.

Supplementing the success of our Partners

Our Partners offer a route to market that is unparalleled in its ability to promote a complex multiservice proposition at a sustainable cost, and to target desirable market segments.

However, we see considerable further value in supplementing their successes: as we evolve our customer proposition and introduce additional services, we want our existing customers to benefit from the improvements we deliver, increase the number of services they take from us, and thereby extend their lifetime with us.

In order to build on the original recommendation made by our Partners, we are investing heavily in our cross-selling capabilities, sharing the benefits of any additional services taken by customers with our Partners.

Chief Executive's Review continued

We are always looking for opportunities to strengthen our business in parallel with our Partners, such as expanding UW Home Services to install smart meters for other energy suppliers, or replicating our model in other countries whose utility markets have been opened to competition.

Operational performance and non-financial KPIs

The combination of lockdowns and social distancing restrictions that were in place for much of the year created a challenging environment for Partners to grow their businesses. Against this backdrop we were extremely pleased that so many succeeded in doing so, and were encouraged by the resilience of the business and overall performance for the year:

- new Partner recruitment up 40% year on year
- further organic growth with service numbers up by 51,000 (2020: 121,000)
- continued low churn
- further strong progress in our smart meter rollout - 57% of our customers now have a smart meter in their property
- Which? Utilities Brand of the Year 2020

Our Partners

We are wholly committed to helping 'Team Purple' - our 48,000-strong community of Partners - to achieve their goals through UW, whatever they may be. Our continued organic growth, despite the challenges that covid has presented during the year, is testament to their resilience and adaptability. Their confidence in our brand and financial strength, the good value we provide through our fair pricing policies, and our commitment to delivering best-in-class service and support to our customers resulted in them defying the odds and continuing to successfully recommend UW from their kitchen tables.

More than ever, 2020 has made it clear that being a UW Partner is about much more than just earning an income. With all personal appointments, meetings and social events cancelled, we have worked to replace the traditional lines of communication between our Partners and the business. This has included fortnightly Zoom sessions to team leaders to announce news and key updates, monthly 'all hands' sessions to recognise strong performers and drive engagement, as well as the introduction of numerous short-term home-based incentives, mental and physical wellbeing sessions, and remote personal development training.

In response to the initial lockdown in spring 2020, we accelerated elements of our product roadmap to enable Partners to sign up both new customers and new Partners remotely. Having embraced and adapted to using these tools during the first half, they were responsible for the vast majority of new customer and Partner applications we received during the second half of the year. We anticipate that they will remain an important new channel for our Partners in future, allowing them to conduct their referrals nationally as opposed to locally, accessing a broader market and in a more convenient and efficient fashion.

We have continued to develop this remote capability, enabling more experienced Partners to support less confident Partners remotely, thus encouraging 'in the field' training.

In anticipation of the ending of the Government furlough scheme in October 2020, and in order to make the UW Partner opportunity more accessible to those affected, we reduced the registration fee to £10 (previously £50). This resulted in a significant increase in the number of new Partners joining us during the second half of the year, despite the furlough scheme being extended. Whilst productivity of these new Partners has been below historic averages, largely due to the ongoing social distancing restrictions, the level of demand we saw demonstrates the appeal of the flexible and long-term income stream we offer.

We also adjusted our product roadmap in order to further adapt our Partner income opportunity to meet this rising demand, and make it easier for new Partners to succeed. This included overhauling the new Partner onboarding journey (making it an entirely digital app-based experience), developing our Planner tool (to automatically identify the most attractive prospects amongst a new Partner's existing contacts), paying experienced Partners to help others (primarily

Chief Executive's Review

continued

new Partners) gain the confidence to sign up customers unaided in future, and introducing a simplified Customer Bonus that strengthens the appeal of our opportunity for those seeking an immediate income.

We are hugely encouraged by the number of new Partners who joined during the year, and believe that as we enter the post-pandemic environment, we stand to benefit from the increased demand for an alternative and highly flexible income stream to replace or supplement people's previous source of income.

Our customers & services

Our primary focus for many years has been the residential market, where we now offer four core services: broadband, mobile, energy and insurance, with many of these customers also taking our Cashback card.

| Customers | 2021 | 2020 |
|--------------|----------------|----------------|
| Residential | 633,616 | 627,058 |
| Business | 23,798 | 25,179 |
| Total | 657,411 | 652,237 |

There is a significant difference in average expected customer lifetimes between customers (and therefore in the revenues and profits they will generate) depending on whether they own their own home, and on the number of services we are providing to them. Hence our ongoing focus on encouraging new customers to switch all their core services to us, leveraging our multiservice proposition as a key point of differentiation.

| Services | 2021 | 2020 |
|-----------------------|------------------|------------------|
| Core services | | |
| Energy | 1,079,044 | 1,071,665 |
| Broadband | 324,499 | 323,901 |
| Mobile | 302,654 | 280,220 |
| Insurance | 32,928 | 28,550 |
| Other services | | |
| Cashback card | 308,439 | 288,043 |
| Legacy telephony | 26,233 | 30,337 |
| Total | 2,073,797 | 2,022,716 |

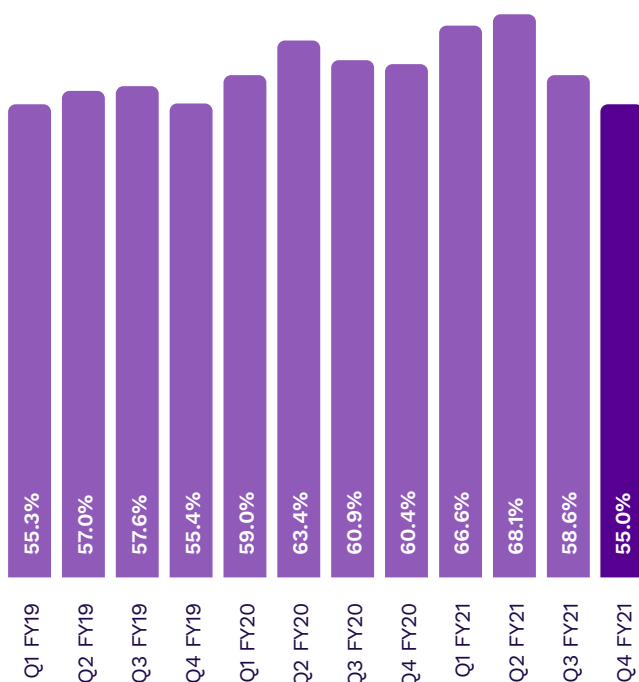
Note: The table above sets out the individual services supplied to customers. Legacy telephony comprises non-geographic numbers (08xx) and landline only (no broadband) services provided.

All our core services grew during the year, with a 15% increase in insurance, an 8% increase in mobile, and a 7% increase in the number of Cashback cards.

The most attractive customer segment are homeowners taking all their services from us. The proportion of new customers gathered by Partners who chose to switch all their services to us through our Double Gold bundle reached a record high during the first half of the year before falling back slightly; this reflects concerns by customers about switching their broadband services during lockdown (due to the perceived risk of losing continuity of internet access), and also the impact of steep inflation in energy wholesale markets which reduced the savings available to a customer switching all their services to us.

Chief Executive's Review continued

Percentage of new customers taking 'Double Gold' bundle



We continue to benefit from market-leading rates of customer loyalty, and our electricity supply point churn (the percentage of supply points leaving during the period) - which we view as a proxy for overall churn - fell during the year to a little under 13% (2020: 14%); although we saw a brief spike in early April following the substantial increase announced to the Ofgem price cap, it has since more than reversed this rise, and remains significantly below industry levels.

We attribute our low levels of churn to our fair approach to pricing, high standards of customer service, and the increasing proportion of our customer base who are taking multiple services from us.

Average revenue per customer from providing Core and Other services fell slightly to £1,254 (2020: £1,305) primarily due to lower energy prices during last winter following the Ofgem price cap reduction in October.

Supporting our customers

In order to earn the trusted personal recommendations of our Partners, we must deliver a consistently high standard of service to our customers, treat them fairly, and live up to our promise of letting them get on with their lives and forget about their utilities.

We rely on the efforts of our colleagues in our unified support centre to look after all the services that our customers choose to take from us. Historically based in north London, these teams have maintained our high levels of customer support despite being home-based for the entire year. We were very pleased with the rapid and successful transition to home working in response to the first covid lockdown last year, and it is a testament to both the secure and robust technology infrastructure we have built, and positive attitudes of everyone involved, that this was achieved within a fortnight and with negligible impact on our service levels.

These teams are still mostly working from home, and whilst this has enabled us to maintain our service levels from a customer perspective, it has come at considerable cost. Not just the additional financial costs we have incurred as a business resulting from a modest fall in overall productivity during the period, but even more importantly in the additional stresses and pressures faced by our teams working from their homes. We anticipate both of these will start to reverse over the coming months, as colleagues spend increasing amounts of their time back at the office.

Chief Executive's Review

continued

Going forward, we see real value in adopting a hybrid structure, with growing numbers of customer-facing roles being fulfilled by colleagues who are employed on a permanent work-from-home basis. This flexible approach will better enable us to meet the needs of our customers, as demonstrated by the recent extension of our call centre opening hours.

We continue to invest heavily in offering the digital support and experience that our customers increasingly expect from us - enabling them to self-serve without having to speak to one of our team. During the year we refreshed our UW customer app and online account, offering increased self-service capabilities, and we continue to employ numerous qualitative and quantitative performance measurement tools to monitor all aspects of our customers' interactions with us.

We are proud to receive consistently high ratings and recognition from Moneyfacts, USwitch and Which? for the quality of the service, support and value we provide to our customers, and the overwhelmingly positive feedback we receive from customers in our own surveys.

This year we were pleased to have been the sole British company to be recognised in the European Contact Centre and Customer Service Awards for supporting our customers in response to the covid crisis.

We were named by Which? as their 2020 Recommended Provider for both our Broadband services and our Mobile services, and as their overall Utilities Brand of the Year in their 2020 annual awards. This resounding endorsement of our services from the UK's leading independent consumer champion is primarily a testament to the consistent hard work of our support teams in North London, but also reflects our commitment to genuinely earning the trust of our customers, and provides huge confidence to our Partners when recommending UW to their friends and families.

Broadband

The nationwide rollout of full fibre and the impending switch off of the legacy copper network poses a significant upheaval to the broadband market.

There is considerable demand for full fibre broadband, particularly on the back of a year of working and schooling from home when there has been increased reliance on a stable and fast broadband connection. Whilst speed has historically been the critical factor for consumers, we increasingly believe that as full fibre penetration increases across the country, in-home wireless coverage is likely to become the key point of differentiation between suppliers.

We launched our full fibre offering towards the end of the year and are excited to have partnered with Amazon to launch their Eero mesh WiFi system to our customers. This offers them unparalleled broadband coverage throughout their home.

Mobile

We were delighted to be recognised by Which? as their Recommended Mobile Provider for the first time. To receive this endorsement for both of our core communications services provides huge confidence for our Partners when recommending UW.

In August we extended our MVNO agreement with EE for a further 5 years. This allowed us to launch a significantly more competitive mobile proposition (particularly in relation to data) and to gain comfort over our long-term ability to compete, whilst providing clarity on our future product roadmap.

For a number of years mobile has been our fastest growing service, and we believe that with the impending introduction of WiFi calling (improving 'in building' mobile coverage) and the forthcoming addition of 5G, we are well positioned to see this trend continue, in what is becoming an increasingly essential market.

Chief Executive's Review continued

Energy

The energy retail markets have now been in a state of flux for almost a decade, with the flood of new entrants now firmly receding. The key challenge facing the industry as a whole is now the transition to a sustainable energy market - not only in terms of decarbonisation, but also in relation to the financial stability of suppliers.

Consumer engagement with the transition to net zero is inexorably rising - a trend that we welcome and support. Whilst we view ourselves principally as a multiservice provider, not simply an energy supplier, it is clear that we have both a direct role to play in the transition, and also an indirect role, by helping our customers to do likewise.

We were pleased to introduce a certificated green electricity tariff for customers switching all their services to us during the year. Further to this, we have seen significant interest in the first UW Woodland that was planted over the winter, demonstrating the appetite from our customers and Partners alike to play their part in offsetting their carbon footprints and contributing to fighting the climate crisis.

The impact of covid on the energy retail markets was immediate, with many suppliers aggressively reducing investment in customer acquisition in response to concerns that bad debt levels would significantly increase. Whilst bad debt and delinquency levels have undoubtedly increased across the industry, the increase does not look to have been as bad as many first feared and we expect these to return to pre-covid levels over the near-term.

Following a reduction in the Ofgem price cap in October 2020, the gap between the top and bottom of the market narrowed. This was followed by a period of steep wholesale market inflation, which caused the gap to narrow further during the second half of the year, although this in turn then partially fed through into the price cap being increased by almost £100 to £1,138 in April 2021.

Given historic trends, with the vast majority of retail energy suppliers consistently reporting significant and unsustainable financial losses for a number of years, the impact of covid and recent energy price inflation has resulted in a challenging environment for many suppliers, creating cause for optimism that we will begin to see a more rational approach to pricing across the market.

We welcome Ofgem's current consultation on consumer credit balances. This seeks to reduce the risk of mutualisation across the industry of any credit balances held by a supplier that fails, and to limit the ability of suppliers to fund their businesses by billing their customers monthly in advance and using the resultant credit balances as a source of working capital.

Insurance

We have barely scratched the surface of the opportunity that the insurance markets represent, and continue to see exciting potential to accelerate our growth in this sector over the coming years.

We believe this market is well suited to our core brand values of offering consistently low monthly prices, and by doing so we believe we will build an additional, significant and sustainable new revenue stream which will contribute meaningfully to the bottom line over time.

We received FCA authorisation as an insurance broker in the autumn, which is a key milestone towards achieving our longer-term ambitions, as it provides us with greater flexibility in the way we sell our policies. We have recently included Boiler and Home Cover within the initial UW application journey, and are seeing a pleasing proportion of new customers signing up to this market leading policy.

We welcome the FCA's recently published remedies to address the loyalty penalties that are prevalent in the insurance markets. With implementation dates due at the end of 2021, we believe the proposed interventions will make our pricing approach appear significantly more attractive, as other insurers have to revise their current 'bait and switch' approach to acquiring new customers.

Chief Executive's Review

continued

We remain focussed on steadily building scale for our current product range, expanding our existing home insurance panel, and increasing the conversion ratio amongst customers who have shown interest in these products, whilst maintaining robust margins. In the longer term we expect to launch further complementary insurance products.

Cashback

By using their UW Cashback card for everyday spending, our customers benefit from the opportunity to receive additional savings of between 3% and 7% at a range of participating retailers, and 1% on other spend, as an automatic credit on their next monthly bill from us.

During the year our customers earned almost £6m by using this unique benefit, and it continues to prove itself as a strong point of differentiation, and an attractive customer acquisition and retention tool.

We believe the Cashback card plays an important role in both giving our Partners confidence when recommending UW, and in building the loyalty of our customers - as seen in their low rates of churn.

UW Home Services

UW Home Services has enabled us to move significantly ahead of the wider market in our smart meter rollout programme.

Despite the numerous challenges that continue to hinder the national smart meter programme, UW Home Services successfully navigated a path through endlessly changing social distancing restrictions during the year, and installed over 5% of all smart meters in the UK, substantially ahead of our 2% energy market share. They installed approximately 145,000 (2020: 135,000) largely dual fuel meters during the year, taking the penetration of smart meters within our residential meter portfolio to 57%, comfortably ahead of the average for the industry as a whole, and making us the second smartest medium or large supplier in the industry - a huge achievement.

We are strongly supportive of the smart meter roll-out programme, which plays a key role in the broader transition to net zero, improves billing accuracy and customer satisfaction, reduces unbilled energy losses (a cost which is ultimately borne by all consumers as part of their charges) and critically, helps customers monitor in real time how much energy they are using.

However, we believe that strong Government intervention is now required if this initiative is to achieve its full potential for improving customer service, grid management, and cost reduction - namely the introduction of legislation to remove the ability for customers to opt-out from the national smart meter rollout programme, by refusing to have a new smart meter installed.

We continue to explore options for UW Home Services to act as a Meter Operator for third party suppliers, and/or move into the emergent market of installing EV charge points.

Boiler installation

Our boiler installation business (Glow Green) made substantial further progress during the year, despite the impact of the pandemic, increasing the number of boilers installed to 8,100 (2020: 5,700), despite social distancing restrictions, with our share of their full year losses reducing to £0.1m (2020: £0.5m loss).

We maintain our confidence in Glow Green as a standalone profitable business unit, and anticipate a positive contribution to group profits for the current financial year.

We are encouraged by the emergent demand for heat pump installations and Glow Green has been accredited as an EV charge-point installer.

Andrew Lindsay MBE
Chief Executive Officer
18 June 2021

Financial Review

Overview of results

| | Adjusted | | | Statutory | | |
|--------------------|----------|---------|--------|-----------|---------|--------|
| | 2021 | 2020 | Change | 2021 | 2020 | Change |
| Revenue | £861.2m | £875.8m | (1.7)% | £861.2m | £875.8m | (1.7)% |
| Profit before tax | £56.1m | £60.8m | (7.7)% | £43.5m | £48.1m | (9.6)% |
| Basic EPS | 57.4p | 61.8p | (7.1)% | 41.5p | 45.9p | (9.6)% |
| Dividend per share | 57.0p | 57.0p | 0.0% | 57.0p | 57.0p | 0.0% |

In order to provide a clearer presentation of the underlying performance of the group, adjusted profit before tax and adjusted basic EPS exclude share incentive scheme charges of £1.4m (2020: £1.3m) and the amortisation of the intangible asset of £11.2m (2020: £11.2m) arising from entering into the energy supply arrangements with npower in December 2013; this decision reflects both the relative size and non-cash nature of these charges. The reconciliation for adjusted EPS is set out in note 2 of the financial statements.

Summary

Adjusted profit before tax decreased by 7.7% to £56.1m (2020: £60.8m) on lower revenues of £861.2m (2020: £875.8m). These decreases mainly reflect the impact of lower retail energy prices from 1 October 2020 (in line with a reduction in the Ofgem price cap), with the fall in adjusted pre-tax profit also reflecting higher regulatory costs and extra operating costs largely associated with covid.

Distribution expenses remained broadly flat at £27.8m (2020: £27.7m), mainly reflecting increased activity at our boiler installation business ('Glow Green'), partially offset by the impact of lower growth, and lower Partner training and event costs.

Administrative expenses (excluding share incentive scheme charges and amortisation of the energy supply agreement intangible) increased during the year by £8.6m to £76.8m (2020: £68.2m), mainly as a result of higher staff, technology and regulatory costs.

The bad debt charge for the year (now separately identified on the income statement as impairment loss on trade receivables) increased to £11.2m (2020: £10.4m) representing 1.3% of revenues (2020: 1.2%).

Adjusted earnings per share decreased by 7.1% to 57.4p (2020: 61.8p), with statutory EPS decreasing by 9.6% to 41.5p (2020: 45.9p). In accordance with previous guidance and our strong cash position, the Board is proposing to pay a final dividend of 30p per share (2020: 30p), making a total dividend of 57p per share (2020: 57p) for the year.

Financial Review

continued

Revenues

We continued to grow the number of services we are supplying, with an increase of 51,000 services (2020: 121,000) during the course of the year, taking the total number of services provided to our customers to a little under 2.1 million (2020: 2.0 million).

The decrease in revenues mainly reflects lower energy prices during the period, partially offset by higher revenues on telephony and at Glow Green (included in 'Other' below):

| Revenues £m | 2021 | 2020 |
|------------------------|--------------|--------------|
| Electricity | 391.8 | 384.2 |
| Gas | 248.0 | 284.8 |
| Landline and Broadband | 132.2 | 125.4 |
| Mobile | 40.6 | 37.4 |
| Other | 48.6 | 44.0 |
| | 861.2 | 875.8 |

Margins

Our overall gross margin for the year was 20.1% (2020: 19.1%) mainly reflecting the lower proportion of energy sales during the period.

Distribution and administrative expenses

Distribution expenses include the share of our revenues that we pay as commission to Partners, together with other direct costs associated with gathering new customers. These remained broadly flat at £27.8m (2020: £27.7m), reflecting increased activity at Glow Green and higher commissions paid to Partners; partially offset by the impact of lower growth, and lower Partner training and event costs.

Administrative expenses (excluding share incentive scheme charges and amortisation of the energy supply agreement intangible) increased during the year by £8.6m to £76.8m (2020: £68.2m), mainly as a result of higher staff, technology and regulatory costs. The increase in staff costs mainly reflects the investment in strengthening our technology, regulatory, HR, marketing, and management teams.

The bad debt charge for the year (now no longer included within administrative expenses) increased to £11.2m (2020: £10.4m) representing 1.3% of revenues (2020: 1.2%). This reflects a higher proportion of customers with at least two energy bills outstanding, which rose to 2.08% (2020: 1.76%), principally reflecting a reduction in enforcement activity during the period due to covid restrictions. The investigation into the Group's debt management processes announced by Ofgem in June 2018 remains ongoing, with any potential exposure considered unlikely to be material.

Cash, capital expenditure, working capital and borrowings

We ended the period with a net debt position including lease liabilities of £71.4m (comprising bank loans of £89.4m and lease liabilities of £7.1m, less cash of £25.1m; 2020: £59.4m). The underlying increase mainly reflects an increase in working capital. The Group's Net Debt/adjusted EBITDA ratio remains low at around 1.1x (adjusted EBITDA of £66.5m used in this ratio represents operating profit of £45.8m plus depreciation and amortisation of £19.3m and share incentive scheme charges of £1.4m).

Financial Review continued

Our net working capital position showed a broadly flat year on year cash outflow of £12.5m (2020: cash outflow of £13.3m); this primarily reflects the investment made in supplying higher quality broadband routers to customers, increased trade debtors reflecting reduced enforcement activity during the period due to covid restrictions, and the continuing success of the Quick Income Plan for Partners. Capital expenditure of £10.0m (2020: £10.3m) related primarily to our continuing digital transformation programme.

Dividend

The final dividend of 30p per share (2020: 30p) will be paid on 30 July 2021 to shareholders on the register at the close of business on 9 July 2021 and is subject to approval by shareholders at the Company's Annual General Meeting which will be held on 22 July 2021. This makes a total dividend payable for the year of 57p (2020: 57p).

Our medium-term intention remains to achieve a dividend pay-out ratio of around 85% of adjusted EPS, whilst maintaining our long-standing progressive dividend policy.

Share incentive scheme charges

Operating profit is stated after share incentive scheme charges of £1.4m (2020: £1.3m). These relate to an accounting charge under IFRS 2 Share Based Payments ('IFRS 2').

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

Taxation

A full analysis of the taxation charge for the year is set out in note 5 to the financial statements in the Annual Report. The tax charge for the year is £11.0m (2020: £12.4m).

The effective tax rate for the year was 25.2% (2020: 25.7%), this remains higher than the underlying rate of corporation tax due mainly to the ongoing amortisation charge on our energy supply contract intangible asset (which is not an allowable deduction for tax purposes).

Nick Schoenfeld
Chief Financial Officer
18 June 2021

Principal Risks and Uncertainties

Background

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

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

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

Business model

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

The Group's services are promoted using 'word of mouth' by a large network of independent Partners, who are paid predominantly on a commission basis. This means that the Group has limited fixed costs associated with acquiring new customers. 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 customers, suppliers and Partners is believed to be fundamental to the future success of the Group. Failure to meet expectations in terms of the services provided by the Group, the way the Group does business or in the Group's financial performance could have a material negative impact on the Group's performance. In developing new services, and in enhancing current ones, careful consideration is given to the likely impact of such changes on existing customers.

In relation to the service provided to its customer 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 customers (Net Promoter Score), and through the provision of rigorous staff training.

Responsibility for maintaining effective relationships with suppliers and Partners rests primarily with the appropriate member of the Group's senior management team with responsibility for the relevant area. Any material changes to supplier agreements and Partner commission arrangements which could impact the Group's relationships are generally negotiated by the executive Directors and ultimately approved by the full Board.

Principal Risks and Uncertainties

continued

Information technology risk

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

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

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

Monitoring, backing up and restoring of the software and underlying data are made on a regular basis. Backups are securely stored or replicated to different locations. Disaster recovery facilities are either provided through cloud-based infrastructure as a service, in critical cases maintained in a warm standby or active-active state to mitigate risk in the event of a failure of the production systems.

Data security risk

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

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

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

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

Principal Risks and Uncertainties

continued

Legislative and regulatory risk

The Group is subject to various laws and regulations. The energy, communications and financial services markets in the UK are subject to comprehensive operating requirements as defined by the relevant sector regulators and/or government departments. Amendments to the regulatory regime could have an impact on the Group's ability to achieve its financial goals and any material failure to comply may result in the Group being fined and lead to reputational damage which could impact the Group's brand and ability to attract and retain customers. Furthermore, the Group is obliged to comply with retail supply procedures, amendments to which could have an impact on operating costs.

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

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

The Group is also a supplier of telecoms services and therefore has a direct regulatory relationship with Ofcom. If the Group fails to comply with its obligations, it could be subject to fines or lose its ability to operate. Regulatory changes relating to the European Electronic Communications Code could have an impact on the telecoms sector with increased regulatory burden and on the Group's product offering.

The Group is authorised and regulated as an insurance broker for the purposes of providing insurance services to customers by the Financial Conduct Authority ("FCA"). If the Group fails to comply with FCA regulations, it could be exposed to fines and risk losing its authorised status, severely restricting its ability to offer insurance services to customers.

In general, the majority of the Group's services are supplied into highly regulated markets, and this could restrict the operational flexibility of the Group's business. In order to mitigate this risk, the Group seeks to maintain appropriate relations with both Ofgem and Ofcom (the UK regulators for the energy and communications markets respectively), the Department for Business, Energy and Industrial Strategy ('BEIS'), and the FCA. The Group engages with officials from all these organisations on a periodic basis to ensure they are aware of the Group's views when they are consulting on proposed regulatory changes or if there are competition issues the Group needs to raise with them. An investigation into the Group's debt management processes announced by Ofgem in June 2018 remains ongoing, and any potential exposure is not considered likely to be material.

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

Political and consumer concern over energy prices, broadband availability and affordability, vulnerable customers and fuel poverty may lead to further reviews of the energy and telecoms markets which could result in further consumer protection legislation being introduced. In addition, political and regulatory developments affecting the energy and telecoms markets within which the Group operates may have a material adverse effect on the Group's business, results of operations and overall financial condition.

The Group is also aware of legal and compliance challenges in relation to climate change and managing climate-related risk.

Principal Risks and Uncertainties

continued

Financing risk

The Group has debt service obligations which may place operating and financial restrictions on the Group. This debt could have adverse consequences insofar as it: (a) requires the Group to dedicate a proportion of its cash flows from operations to fund payments in respect of the debt, thereby reducing the flexibility of the Group to utilise its cash to invest in and/or grow the business; (b) increases the Group's vulnerability to adverse general economic and/or industry conditions; (c) may limit the Group's flexibility in planning for, or reacting to, changes in its business or the industry in which it operates; (d) may limit the Group's ability to raise additional debt in the long-term; and (e) could restrict the Group from making larger strategic acquisitions or exploiting business opportunities.

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

Fraud and bad debt risk

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

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

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

Wholesale price risk

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

Whilst there is a theoretical risk that in some of the areas in which the Group operates it may be unable to secure access to the necessary infrastructure on commercially attractive terms, in practice the pricing of access to such infrastructure is typically either regulated (as in the energy market) or subject to significant competitive pressures (as in telephony and broadband). The profile of the Group's customers, the significant quantities of each service they consume in aggregate, and the Group's clearly differentiated route to market has historically proven attractive to infrastructure owners, who compete aggressively to secure a share of the Group's growing business.

The supply of energy has different risks associated with it. The wholesale price can be extremely volatile, and customer demand can be subject to considerable short-term fluctuations depending on the weather. The Group has a long-standing supply relationship with npower under which the latter assumes the substantive risks and rewards of buying and hedging energy for the Group's customers, and where the price paid by the Group to cover

Principal Risks and Uncertainties

continued

commodity, balancing, transportation, distribution, agreed metering, regulatory and certain other associated supply costs is set by reference to the average of the standard variable tariffs charged by the 'Big 6' to their domestic customers less an agreed discount, which is set at the start of each quarter; this may not be competitive against the equivalent supply costs incurred by new and/or other independent suppliers. In addition, the timing of any quarterly price changes under the E.ON (formerly npower) arrangement may not align with changes in retail prices, creating temporary short-term fluctuations in the underlying margins earned by the Group from supplying energy. However, if the Group did not have the benefit of this long-term supply agreement it would need to find alternative means of protecting itself from the pricing risk of securing access to the necessary energy on the open market and the costs of balancing.

Competitive risk

The Group operates in highly competitive markets and significant service innovations or increased price competition could impact future profit margins. In order to maintain its competitive position, there is a consistent focus on ways of improving operational efficiency. New service innovations are monitored closely by senior management and the Group is generally able to respond within an acceptable timeframe by offering any new services using the infrastructure of its existing suppliers. The increasing proportion of customers who are benefiting from the genuinely unique multi-utility solution that is offered by the Group, and which is unavailable from any other known supplier, is considered likely to materially reduce any competitive threat.

The Directors anticipate that the Group will face continued competition in the future as new companies enter the market and alternative technologies and services become available. The Group's services and expertise may be rendered obsolete or uneconomic by technological advances or novel approaches developed by one or more of the Group's competitors. In the event that smaller independent energy suppliers were to experience financial difficulties as a result of increasing wholesale prices for instance, it is possible that customers could also have a loss of confidence in the Group, given that it is also an independent energy supplier. The existing approaches of the Group's competitors or new approaches or technologies developed by such competitors may be more effective or affordable than those available to the Group. There can be no assurance that the Group will be able to compete successfully with existing or potential competitors or that competitive factors will not have a material adverse effect on the Group's business, financial condition or results of operations. However, as the Group's customer base continues to rise, competition amongst suppliers of services to the Group is expected to increase. This has already been evidenced by various volume-related growth incentives which have been agreed with some of the Group's largest wholesale suppliers. This should also ensure that the Group has direct access to new technologies and services available to the market.

Infrastructure risk

The provision of services to the Group's customers is reliant on the efficient operation of third party physical infrastructure. There is a risk of disruption to the supply of services to customers 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 customers could in due course be sourced from another provider.

The development of localised energy generation and distribution technology may lead to increased peer-to-peer energy trading, thereby reducing the volume of energy provided by nationwide suppliers. As a nationwide retail supplier, the Group's results from the sale of energy could therefore be adversely affected.

Similarly, the construction of 'local monopoly' fibre telephony networks to which the Group's access may be limited as a reseller could restrict the Group's ability to compete effectively for customers in certain areas.

Principal Risks and Uncertainties

continued

Smart meter rollout risk

The Group is in part reliant on third party suppliers to fully deliver its smart meter rollout programme effectively. In the event that the Group suffers delays to its smart meter rollout programme the Group may be in breach of its regulatory obligations and therefore become subject to fines from Ofgem. In order to mitigate this risk the Group dual-sources (where practicable) the third party metering and related equipment they use.

The Group may also be indirectly exposed to reputational damage and litigation from the risk of technical complications arising from the installation of smart meters or other acts or omissions of meter operators, e.g. the escape of gas in a customer's property causing injury or death. The Group mitigates this risk through having established their own meter operator (UW Home Services Limited) and ensuring that all employees receive appropriate training and proper supervision.

Energy industry estimation risk

A significant degree of estimation is required in order to determine the actual level of energy used by customers 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 customers. However, this risk is mitigated by the relatively high proportion of customers who provide meter readings on a periodic basis, and the rapid anticipated growth in the installed base of smart meters resulting from the national rollout programme.

Gas leakage within the national gas distribution network

The operational management of the national gas distribution network is outside the control of the Group, and in common with all other licensed domestic gas suppliers the Group is responsible for meeting its pro-rata share of the total leakage cost. There is a risk that the level of leakage in future could be higher than historically experienced, and above the level currently expected.

Key man risk

The Group is dependent on its key management for the successful development and operation of its business. In the event that any or all of the customers of the key management team were to leave the business, it could have a material adverse effect on the Group's operations. The Group seeks to mitigate this risk through its remuneration policy.

Single site risk

The Group operates from one principal site and, in the event of significant damage to that site through fire or other issues, the operations of the Group could be adversely affected. In order to mitigate, where possible, the impact of this risk the Group has in place appropriate disaster recovery arrangements.

Acquisition risk

The Group may invest in other businesses, taking a minority, majority or 100% equity shareholding, or through a joint venture partnership. Such investments may not deliver the anticipated returns, and may require additional funding in future. This risk is mitigated through conducting appropriate pre-acquisition due diligence where relevant.

Principal Risks and Uncertainties

continued

Virus outbreak risk

In the absence of a vaccine or effective treatment, the Company faces a number of risks from any highly infectious virus or disease which causes serious incapacity amongst those infected, including: (i) staff may be unable to attend their normal place of work and fulfil their normal duties due to falling ill or being required to self-isolate (either due to exposure to carriers of the virus, or to reduce the likelihood of being so exposed); (ii) the Company may be required to shut Network HQ to prevent transmission of the virus in the workplace; (iii) the efficiency of our operations may be reduced; (iv) we may be unable to recruit and train new members of staff; (v) customers may find it more difficult to contact the company; (vi) we may be unable to resolve faults and challenges faced by customers which require a visit to their home or other engineering works to be carried out; (vii) customers may stop paying their bills, or we may be required by the Government to offer payment holidays to customers in respect of their utilities (in a similar fashion to the mortgage payment provisions), putting pressure on the Company's working capital; (viii) we may be restricted from carrying out normal debt enforcement procedures including suspension of telephony services and installation of smart meters; (ix) the Company's Partners may find it more difficult to grow their businesses during a period when restrictions on movement are imposed by the Government; (x) we may be unable to visit customers' homes to install smart meters and/or our free lightbulb replacement service; (xi) the various providers of third party infrastructure used to supply our services may be unable to cope with the increased demands placed upon them; and (xii) churn could increase during periods when customers are isolated at home.

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

Consolidated Statement of Comprehensive Income for the year ended 31 March 2021

| | Note | 2021 £'000 | 2020* £'000 |
|---|------|----------------|----------------|
| Revenue | 1 | 861,204 | 875,774 |
| Cost of sales | | (688,104) | (708,077) |
| Gross profit | | 173,100 | 167,697 |
| Distribution expenses | | (27,849) | (27,662) |
| Share incentive scheme credits | | - | 1 |
| Total distribution expenses | | (27,849) | (27,661) |
| Administrative expenses | | (76,820) | (68,239) |
| Share incentive scheme charges | | (1,377) | (1,285) |
| Amortisation of energy supply contract intangible | | (11,228) | (11,228) |
| Total administrative expenses | | (89,425) | (80,752) |
| Impairment loss on trade receivables | | (11,213) | (10,444) |
| Other income | | 1,175 | 1,328 |
| Operating profit | | 45,788 | 50,168 |
| Financial income | | 84 | 280 |
| Financial expenses | | (2,358) | (2,336) |
| Net financial expense | | (2,274) | (2,056) |
| Profit before taxation | | 43,514 | 48,112 |
| Taxation | | (10,955) | (12,352) |
| Profit for the period | | 32,559 | 35,760 |
| Profit and other comprehensive income for the year attributable to owners of the parent | | 32,577 | 35,911 |
| Loss for the year attributable to non-controlling interest | | (18) | (151) |
| Profit for the period | | 32,559 | 35,760 |
| Basic earnings per share | 2 | 41.5p | 45.9p |
| Diluted earnings per share | 2 | 41.4p | 45.7p |

*The presentation of the income statement has been changed to separately disclose the impairment loss on trade receivables on the face of the Consolidated Statement of Comprehensive Income (refer to the Presentation of financial statements section of the Notes to the consolidated financial statements in the Annual Report)

Consolidated Balance Sheet as at 31 March 2021

| | 2021 £'000 | 2020 £'000 |
|--|------------------|------------------|
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 34,865 | 37,767 |
| Investment property | 8,575 | 8,432 |
| Intangible assets | 160,626 | 167,719 |
| Goodwill | 5,324 | 5,324 |
| Other non-current assets | 28,595 | 25,185 |
| Total non-current assets | 237,985 | 244,427 |
| Current assets | | |
| Inventories | 6,325 | 4,633 |
| Trade and other receivables | 61,706 | 57,012 |
| Current tax receivable | 726 | 706 |
| Accrued income | 120,395 | 120,285 |
| Prepayments | 10,471 | 11,985 |
| Cash | 25,056 | 43,611 |
| Total current assets | 224,679 | 238,232 |
| Total assets | 462,664 | 482,659 |
| Current liabilities | | |
| Trade and other payables | (30,374) | (35,291) |
| Accrued expenses and deferred income | (122,295) | (121,323) |
| Total current liabilities | (152,669) | (156,614) |
| Non-current liabilities | | |
| Long term borrowings | (89,376) | (94,020) |
| Lease liabilities | (7,096) | (8,969) |
| Deferred tax | (1,145) | (1,104) |
| Total non-current liabilities | (97,617) | (104,093) |
| Total assets less total liabilities | 212,378 | 221,952 |
| Equity attributable to equity holders of the parent | | |
| Share capital | 3,970 | 3,962 |
| Share premium | 145,094 | 143,896 |
| Capital redemption reserve | 107 | 107 |
| Treasury shares | (5,502) | (5,502) |
| JSOP reserve | (1,150) | (1,150) |
| Retained earnings | 70,306 | 81,068 |
| | 212,825 | 222,381 |
| Non-controlling interest | (447) | (429) |
| Total equity | 212,378 | 221,952 |

Consolidated Cash Flow Statement for the year ended 31 March 2021

| | 2021 £'000 | 2020 £'000 |
|--|-----------------|----------------|
| Operating activities | | |
| Profit before taxation | 43,514 | 48,112 |
| Adjustments for: | | |
| Net financial expense | 2,274 | 2,056 |
| Depreciation of property, plant and equipment | 4,731 | 4,142 |
| Profit on disposal of fixed assets | (47) | (51) |
| Amortisation of intangible assets | 14,550 | 13,345 |
| Amortisation of debt arrangement fees | 356 | 491 |
| (Increase)/decrease in inventories | (1,694) | 148 |
| Increase in trade and other receivables | (6,713) | (27,821) |
| (Decrease)/increase in trade and other payables | (4,046) | 14,410 |
| Share incentive scheme charges | 1,377 | 1,284 |
| Corporation tax paid | (10,945) | (17,097) |
| Net cash flow from operating activities | 43,357 | 39,019 |
| Investing activities | | |
| Purchase of property, plant and equipment | (2,582) | (2,910) |
| Purchase of intangible assets | (7,457) | (7,409) |
| Disposal of property, plant and equipment | 100 | 87 |
| Interest received | 98 | 295 |
| Cash flow from investing activities | (9,841) | (9,937) |
| Financing activities | | |
| Dividends paid | (44,708) | (42,214) |
| Interest paid | (2,002) | (2,412) |
| Interest paid on lease liabilities | (246) | (170) |
| Drawdown of long term borrowing facilities | 30,000 | 145,000 |
| Repayment of long term borrowing facilities | (35,000) | (110,000) |
| Fees associated with borrowing facilities | - | (1,069) |
| Repayment of lease liabilities | (1,321) | (948) |
| Issue of new ordinary shares | 1,206 | 2,176 |
| Cash flow from financing activities | (52,071) | (9,637) |
| (Decrease)/increase in cash and cash equivalents | (18,555) | 19,445 |
| Net cash and cash equivalents at the beginning of the year | 43,611 | 24,166 |
| Net cash and cash equivalents at the year end | 25,056 | 43,611 |

Consolidated Statement of Changes in Equity for the year ended 31 March 2021

| | Share capital | Share premium | Capital redemption reserve | Treasury shares | JSOP reserve | Retained earnings | Non-controlling interest | Total |
|--|---------------|----------------|----------------------------|-----------------|----------------|-------------------|--------------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 April 2019 | 3,950 | 141,732 | 107 | (5,502) | (1,150) | 86,230 | (278) | 225,089 |
| Opening balance adjustments | - | - | - | - | - | (26) | - | (26) |
| Revised opening balances | 3,950 | 141,732 | 107 | (5,502) | (1,150) | 86,204 | (278) | 225,063 |
| Profit and total comprehensive income | - | - | - | - | - | 35,911 | (151) | 35,760 |
| Dividends | - | - | - | - | - | (42,214) | - | (42,214) |
| Credit arising on share options | - | - | - | - | - | 1,284 | - | 1,284 |
| Deferred tax on share options | - | - | - | - | - | (125) | - | (125) |
| Retained earnings tax adjustments | - | - | - | - | - | 8 | - | 8 |
| Issue of new ordinary shares | 12 | 2,164 | - | - | - | - | - | 2,176 |
| Balance at 31 March 2020 | 3,962 | 143,896 | 107 | (5,502) | (1,150) | 81,068 | (429) | 221,952 |
| Balance at 1 April 2020 | 3,962 | 143,896 | 107 | (5,502) | (1,150) | 81,068 | (429) | 221,952 |
| Profit and total comprehensive income | - | - | - | - | - | 32,577 | (18) | 32,559 |
| Dividends | - | - | - | - | - | (44,708) | - | (44,708) |
| Credit arising on share options | - | - | - | - | - | 1,377 | - | 1,377 |
| Deferred tax on share options | - | - | - | - | - | (8) | - | (8) |
| Issue of new ordinary shares | 8 | 1,198 | - | - | - | - | - | 1,206 |
| Balance at 31 March 2021 | 3,970 | 145,094 | 107 | (5,502) | (1,150) | 70,306 | (447) | 212,378 |

Notes

1. Revenue

Revenue by service

| | 2021 £'000 | 2020 £'000 |
|----------------------|----------------|----------------|
| Electricity | 391,813 | 384,246 |
| Gas | 248,008 | 284,748 |
| Fixed communications | 132,241 | 125,394 |
| Mobile | 40,580 | 37,393 |
| Other | 48,562 | 43,993 |
| | 861,204 | 875,774 |

The Group operates solely in the United Kingdom.

2. Earnings per share

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

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Earnings for the purpose of basic and diluted EPS | 32,577 | 35,911 |
| Share incentive scheme charges (net of tax) | 1,194 | 1,203 |
| Amortisation of energy supply contract intangible assets | 11,228 | 11,228 |
| Earnings excluding share incentive scheme charges and amortisation of intangibles for the purpose of adjusted basic and diluted EPS | 44,999 | 48,342 |

| | Number ('000s) | Number ('000s) |
|---|--------------------|--------------------|
| Weighted average number of ordinary shares for the purpose of basic EPS | 78,433 | 78,205 |
| Effect of dilutive potential ordinary shares (share incentive awards) | 273 | 401 |
| Weighted average number of ordinary shares for the purpose of diluted EPS | 78,706 | 78,606 |
| Adjusted basic EPS ¹ | 57.4p | 61.8p |
| Basic EPS | 41.5p | 45.9p |
| Adjusted diluted EPS ¹ | 57.2p | 61.5p |
| Diluted EPS | 41.4p | 45.7p |

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

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

Notes

continued

3. Dividends

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Prior year final paid 30p (2020: 27p) per share | 23,524 | 21,100 |
| Interim paid 27p (2020: 27p) per share | 21,184 | 21,114 |

The Directors have proposed a final dividend of 30p per ordinary share totalling approximately £23.6 million, payable on 30 July 2021, to shareholders on the register at the close of business on 9 July 2021. In accordance with the Group's accounting policies the dividend has not been included as a liability as at 31 March 2021. This dividend will be subject to income tax at each recipient's individual marginal income tax rate.

4. Related parties

Identity of related parties

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

Transactions with key management personnel

Directors of the Company and their immediate relatives control approximately 19.7% of the voting shares of the Company. No other employees are considered to meet the definition of key management personnel other than those disclosed in the Directors' Remuneration Report in the Annual Report.

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

| | 2021 £'000 | 2020 £'000 |
|--------------------------------|---------------|---------------|
| Short-term employee benefits | 2,882 | 1,765 |
| Deferred shares bonus | 383 | - |
| Social security costs | 386 | 233 |
| Post-employment benefits | 11 | 20 |
| | 3,662 | 2,018 |
| Share incentive scheme charges | 139 | 56 |
| | 3,801 | 2,074 |

During the year, the Group acquired goods and services worth £Nil (2020: £367) from companies in which directors have a beneficial interest. No amounts were owed to these companies by the Group as at 31 March 2021. During the year, the Group sold goods and services worth £Nil (2020: £Nil) to companies in which directors have a beneficial interest.

During the year directors purchased goods and services on behalf of the Group worth £145,000 (2020: £835,000). The directors were fully reimbursed for the purchases and no amounts were owing to the directors by the Group as at 31 March 2021. During the year the directors purchased goods and services from the Group worth approximately £27,000 (2020: £29,000) and persons closely connected with the directors earned commissions as Partners for the Group of approximately £7,000 (2020: £7,000).

Notes

continued

Subsidiary companies

During the year ended 31 March 2021, the Company purchased goods and services from the subsidiaries in the amount of £153,000 (2020: £102,000 purchased by the Company from the subsidiaries).

During the year ended 31 March 2021 the Company also received distributions from subsidiaries of £50,000,000 (2020: £50,000,000). At 31 March 2021 the Company owed the subsidiaries £61,204,000 which is recognised within trade payables (2020: £67,348,000 owed by the Company to the subsidiaries).

5. Basis of preparation

The financial information set out above does not constitute the Group's statutory information for the years ended 31 March 2021 or 2020, but is derived from those accounts. The Group's consolidated financial information has been prepared in accordance with accounting policies consistent with those adopted for the year ended 31 March 2020. Statutory accounts for 2020 have been delivered to the Registrar of Companies and those for 2021 will be delivered following the Company's annual general meeting. The auditor has reported on these accounts, their reports were unqualified and did not contain statements under the Companies Act 2006, s498(2) or (3).

6. Directors' responsibility statement

The directors confirm, to the best of their knowledge:

- (a) the financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and
- (b) the Chairman's Statement, Chief Executive's Review, Financial Review and Principal Risks and Uncertainties include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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

Charles Wigoder – Executive Chairman
Andrew Lindsay – Chief Executive Officer
Nick Schoenfeld – Chief Financial Officer
Stuart Burnett – Chief Operating Officer
Beatrice Hollond – Senior Non Executive Director
Andrew Blowers – Non Executive Director
Melvin Lawson – Non Executive Director
Julian Schild – Non Executive Director
Suzi Williams – Non Executive Director

By order of the Board