

TELECOMPLUSPLC

Embargoed until 07.00

23 June 2015

Telecom Plus PLC Final Results for the year ended 31 March 2015

Telecom Plus PLC (the "Company"), the UK's leading low-cost multi-utility supplier (Gas, Electricity, Telephony and Broadband), announces its final results for the year ended 31 March 2015.

Financial Highlights:

- Revenue up 10.5% to £729.2m
- Adjusted profit before tax up 22.5% to £52.2m
- Statutory profit before tax up 21.3% to £42.1m
- Adjusted EPS up 9.3% to 53.0p
- Full year dividend up 14.3% to 40p per share

Operating Highlights:

- Over 580,000 Members
- Service numbers up by 208,000 to 2.1 million
- Continuing strong organic growth in both services and Members
- Relocated to new headquarters, providing capacity for future growth
- Shortlisted by *Which?* for 'Best Telecom Services Company' in 2015 Annual Awards
- Public Champion in European Business Awards

Andrew Lindsay, CEO, commented:

"I am very pleased with the double digit growth that we have delivered in the face of unprecedented headwinds this year, and take confidence from this strong endorsement of our unique business model.

"We remain focussed on genuinely looking after our Members: this is the bedrock of our business model and we were therefore delighted to have been shortlisted by *Which?* as 'Best Telecom Services Company' in their 2015 Annual Awards. It is through continuing to earn the trust of our Members, and treating them fairly, that we will achieve our medium term goal of supplying a million households.

"We wholly support the pressure that the Secretary of State is applying to the 'Big 6' energy suppliers to pass their lower wholesale costs onto the majority of their customers, by reducing their standard variable tariffs. Furthermore, we encourage the Competition and Markets Authority to be bold in addressing the fundamentally unfair and increasingly prevalent practices in the energy markets that are clearly detrimental to the majority of UK consumers.

"Looking forward we are confident that we will deliver record revenues, profits, and earnings per share for the current year, and expect to increase our dividend by a further 15% to 46p per share."

***There will be a meeting for analysts at the offices of MHP Communications,
60 Great Portland Street, London, W1W 7RT at 8.45am today.***

For more information please contact:

Telecom Plus PLC

Andrew Lindsay, CEO
Nick Schoenfeld, CFO

020 8955 5000

Peel Hunt

Dan Webster / Jock Maxwell Macdonald

020 7418 8900

MHP Communications

Reg Hoare / Katie Hunt / Giles Robinson

020 3128 8100

About Telecom Plus PLC ('Telecom Plus'):

www.utilitywarehouse.co.uk

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 both the Communications and Energy markets.

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

Telecom Plus also has a 20% shareholding in Opus Energy Group Ltd, a successful, profitable and fast growing independent supplier of gas and electricity to small, medium and large business customers.

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

Chairman's Statement

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

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

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

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

Results overview

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

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

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

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

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

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

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

Business Development

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

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

This is not only fundamentally unfair on existing loyal customers, but unlikely to create a sustainable long term business, as customers who have chosen to switch once based solely on the headline price on a comparison site must have a higher propensity to do so again when their introductory deal expires.

Our alternative approach is to focus on treating all our Members in a fair manner, and to give everyone consistently good value on all their services. Accordingly, we don't offer heavily discounted one-year introductory energy deals to new Members, and with all our telephony

services (landline, broadband and mobile), both new and existing Members pay exactly the same prices for identical packages.

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

Route to Market

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

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

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

Corporate Governance

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

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

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

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

Outlook

Recent Trading

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

new optional extra benefits; these are only available to owner-occupiers, and on identical terms to both new and existing Members.

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

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

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

Energy Prices

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

Regulatory

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

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

Much money continues to be wasted within the industry with little thought apparently given to delivering initiatives in a way that will minimise their costs, which ultimately get passed on

by suppliers to customers through their bills. A prime example of this is the establishment of Smart Energy GB, which has a mandate to spend over £85m of customers' money over the next five years on advertising the benefits of smart meters, and making the public aware that this meter replacement programme is taking place, through an expensive multi-media campaign featuring two cartoon characters called 'Gaz' and 'Leccy'.

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

Regulation has an important role to play in ensuring the energy markets are operating in a transparent manner, creating a framework which encourages real competition, protecting the rights of consumers, and ensuring they receive a fair deal for their energy. However, it is not clear that the right balance has recently always been struck. We look forward to a less detailed and more principle based approach in future, where innovation can flourish, and there is a clearer understanding of the need to reduce the burden of regulation which ultimately falls on those least able to afford it – namely domestic customers.

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

Prospects

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

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

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

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

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

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

Charles Wigoder
Executive Chairman
22 June 2015

Chief Executive's Review

Markets

We supply a wide range of essential services under the Utility Warehouse brand (Gas, Electricity, Landline, Broadband and Mobile) to both domestic and small business Members throughout the UK; these are all substantial markets and represent a vast opportunity for further organic growth.

The markets we operate in are dominated by a relatively small number of former monopoly suppliers and other owners of infrastructure assets, although in each there are also a number of independent suppliers carving out their own niches, generally based on offering highly competitive introductory short-term fixed price contracts promoted through price comparison sites.

Business model

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

- we operate our business as a Discount Club; each of our customers becomes a Member, receiving a level of service commensurate with that status;
- we are the only fully integrated provider of both energy and communications services in the country. This enables us to enjoy unparalleled levels of operating efficiency as we are able to spread a single set of overheads across the multiple revenue streams that we derive from each of our Members; and
- we have a unique route to market, with an 'army' of almost 50,000 part-time self-employed Partners; rather than seeking to attract new Members through expensive advertising, direct marketing or price comparison sites, we instead benefit from genuine personal recommendations by both our Partners, and by existing Members.

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

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

The delivery of these core benefits is critical to our route to market, giving our Partners the confidence to promote our services to their friends and family – as well as generating recommendations from existing Members who in many cases also become advocates for our brand. The Net Promoter Scores ("NPS") of around +45 that we consistently achieve reflect our relentless focus on this goal, and are in stark contrast to the negative NPS scores prevalent within the utility and telecoms markets.

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

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

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

We continue to invest heavily in our bespoke IT systems; these enable us to integrate all the services we supply into a single monthly bill, supported by just one set of central overheads (including all administrative and membership service functions). This highly efficient cost base is a key factor in enabling us to offer attractive pricing and a wide range of valuable benefits to our Members, a secure residual income to our Partners, and a growing dividend stream to shareholders.

We are extremely pleased with the further progress we have made this year in taking advantage of our multiple key points of differentiation, and towards securing our position as the Nation's most trusted utility provider.

Strategy

Our strategy is to build on the consistent strong organic growth we have historically delivered in order to progressively increase our share of the markets in which we operate.

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

We continue to explore the possibility of expanding our current range of core services into areas where we can leverage our existing strong relationship with our Members to offer them improved service and better value on services they currently obtain from other suppliers, whilst also delivering a satisfactory return for our shareholders. Later this year we hope to introduce a range of insurance products, such as home and motor policies; in the medium to longer term, other potential new services might include water, television, and home emergency cover (including boiler cover).

Operational performance and non-financial KPIs

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

- continuing strong organic growth with service numbers up by 208,753 (2014: 305,100)
- low churn
- lower delinquency
- higher proportion of Members taking our 'Double Gold' bundle
- healthy increase in the number of new Partners
- positive reviews and recognition from *Which?* for both energy and telephony services
- consistently high Net Promoter Scores

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

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

Members

	<u>2015</u>	<u>2014</u>
Residential Club	551,322	495,234
Business Club	<u>30,191</u>	<u>29,098</u>
Total Club	581,513	524,332

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

Within the residential Club, there is a significant difference in average expected lifetimes between Members (and therefore in the revenues and profits they will generate), depending on whether they are an owner-occupier, and on the number of services we are providing to them.

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

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

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

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

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

Energy supply point churn

FY11	16.3%
FY12	13.3%
FY13	11.2%
FY14	10.4%
FY15	11.2%

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

Average Revenue per Member

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

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

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

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

Services

The full range of services we offer includes Landline Telephony (calls and line rental), Broadband, Mobile, Gas, Electricity, and our CashBack card. At the year end, we supplied a total of 2,093,447 services to Club members (2014: 1,884,694), representing an increase of over 200,000 during the year.

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

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

CashBack

Our exclusive CashBack card has proven itself as an important Member acquisition and retention tool. It gives our Members the opportunity to achieve additional savings of between 3% and 7% on their shopping at a wide range of participating retailers, which they receive as an automatic credit on their next monthly bill from us.

We have seen a 20% increase during the year in the number of cards in issue to 167,434 (2014: 139,769), with around 40% of new residential Club Members gathered directly by our Partners applying for a card. We believe this continuing strong demand demonstrates the attractiveness of this unique membership benefit, and would be even higher were it not for the difficulties faced by some new Members in funding the switch from paying in arrears on their credit card, to paying for their purchases in advance with our prepayment card.

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

We paid over £5.4m (2014: £4.9m) in CashBack to our Members during the year (funded entirely by the retailers in the programme), with many Members achieving a reduction of between 20% and 30% on the amount they pay for the utilities we are supplying to them each month, simply by using their CashBack card (instead of an alternative payment card) for most of their regular household shopping, and/or our online shopping portal.

Membership Service and Support

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

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

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

Partners

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

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

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

Premises and Systems

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

Andrew Lindsay MBE

Chief Executive Officer

22 June 2015

Financial Review

Overview of Results

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

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

Summary

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

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

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

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

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

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

Write-down of unbilled energy debtor

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

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

Margins

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

Customer Management Business

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

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

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

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

Customer Acquisition

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

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

Distribution and Administrative Expenses

Distribution expenses include both the share of our revenues that we pay as commission to Partners, and other direct costs associated with gathering new Members included as part of the

Customer Acquisition Segment result for the year. These increased by £3.3m to £21.9m (2014: £18.6m), reflecting a combination of higher residual income payments to Partners, and the costs of various promotional incentives (such as shopping vouchers) provided to new Members.

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

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

Delinquent Members

Q1 FY12	1.71%
Q2 FY12	1.53%
Q3 FY12	1.26%
Q4 FY12	1.34%
Q1 FY13	1.33%
Q2 FY13	1.17%
Q3 FY13	1.08%
Q4 FY13	1.32%
Q1 FY14	1.30%
Q2 FY14	1.15%
Q3 FY14	1.00%
Q4 FY14	1.15%
Q1 FY15	1.18%
Q2 FY15	1.12%
Q3 FY15	0.99%
Q4 FY15	1.10%

Delinquency (the proportion of Members who have at least two energy bills outstanding) has been on a steady downward trajectory over the last few years, and we are pleased that this trend has continued over the last 12 months.

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

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

Opus

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

increased by 20.5% to just over £523m (2014: £434m) and profit before tax increased from £30.2m to £38.0m.

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

Cash, Capital Expenditure and Working Capital

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

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

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

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

Borrowings

Our balance sheet at the year-end shows a net debt position of £74.0m (2014: £75.1m) including the deferred consideration of £21.5m payable to Npower in December 2016.

Dividend

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

We believe our strong underlying cash flow, rising earnings and significant borrowing capacity will enable us to refinance or repay our remaining borrowings as they fall due, whilst maintaining a progressive dividend policy. We remain comfortable with previous guidance that our total dividend for the current year will increase by 15% to 46p per share, and

thereafter that further growth in earnings from the level we achieve this year should be reflected in a corresponding rise in the level of distributions to shareholders.

Share Incentive Scheme Charges

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

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

Taxation

A full analysis of the taxation charge for the year is set out in note 4 to the financial statements in the Annual Report. The tax charge for the year is £9.8m (2014: £7.2m).

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

Nick Schoenfeld

Chief Financial Officer
22 June 2015

Principal Risks and Uncertainties

Background

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

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

A formal document is prepared by the executive directors and senior management team on a regular basis detailing the key risks faced by the Group and the operational controls in place to mitigate those risks; this document is then reviewed by the Audit Committee.

Business model

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

The Group's services are promoted using 'word of mouth' by a large network of independent Partners, who are paid solely on a commission basis. This means that the Group has minimal fixed costs associated with acquiring new Members.

The principal specific risks arising from the Group's business model, and the measures taken to mitigate those risks, are set out below.

Reputational risk

The Group's reputation amongst its Members, suppliers and Partners is believed to be fundamental to the future success of the Group. Failure to meet expectations in terms of the services provided by the Group, the way the Group does business or in the Group's financial performance could have a material negative impact on the Group's performance.

In relation to the service provided to its membership base, reputational risk is principally mitigated through the Group's recruitment processes, a focus on closely monitoring staff performance, including the use of direct feedback surveys from Members (Net Promoter Score), and through the provision of rigorous staff training.

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

Information technology risk

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

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

Back-ups of both the software and underlying billing and membership data are made on a regular basis and securely stored off-site. The Group also has extensive back-up information technology infrastructure in the event of a failure of the main system, designed to ensure that a near-seamless service to Members can be maintained.

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

Legislative and regulatory risk

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

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

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

In general, the majority of the Group's services are supplied into highly regulated markets, and this could restrict the operational flexibility of the Group's business. In order to mitigate this risk, the Group maintains an appropriate relationship with both Ofgem and Ofcom (the UK regulators for the energy and communications markets respectively) and the Department for Energy and Climate Change ("DECC"). The Group engages with officials from all these organisations on a periodic basis to ensure they are aware of the Group's views when they are

consulting on proposed regulatory changes or if there are competition issues the Group needs to raise with them.

However, it should be noted that the regulatory environment for the various markets in which the Group operates is generally focussed on promoting competition. As one of the new entrants, it seems reasonable to expect that most potential changes will broadly be beneficial to the Group, given the Group's relatively small size compared to the former monopoly incumbents with whom it competes, although these changes, and their actual impact, remain uncertain at present. It currently remains unclear how the governmental focus on reform of the energy market and the current investigation by the Competition and Markets Authority will impact the operations of the Group.

Political and consumer concern over energy prices and fuel poverty may lead to further reviews of the energy market which could result in further consumer protection legislation being introduced through energy supply licences. The Government could also choose to introduce adverse measures such as a windfall tax on the Group or price controls for certain customer segments. In addition, political and regulatory developments affecting the energy markets within which the Group operates may have a material adverse effect on the Group's business, results of operations and overall financial condition.

Financing risk

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

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

Fraud and bad debt risk

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

Fraud within the telephony industry may arise from Members using the services without intending to pay their supplier. The amounts involved are generally relatively small as the Group has sophisticated call traffic monitoring systems to identify material occurrences of fraud. The Group is able to immediately eliminate any further bad debt exposure by

disconnecting any telephony service that demonstrates a suspicious usage profile, or falls into arrears on payments.

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

Data security risk

The Group processes sensitive personal and commercial data during the course of its business. The Group looks to protect customer and corporate information and data and to keep its infrastructure secure. A significant breach of cyber security could result in the Group facing regulatory fines, loss of commercially sensitive information and damage to its brand. The Group uses high specification firewalling and anti-viral management systems; external consultants are also used to conduct penetration testing on the Group's IT infrastructure.

Wholesale prices risk

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

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

The supply of energy has different risks associated with it. The wholesale price can be extremely volatile, and Member demand can be subject to considerable short term fluctuations depending on the weather. The Group has a long-standing supply relationship with Npower under which the latter assumes the substantive risks and rewards of hedging and buying energy for the Group's Members, and where the price paid by the Group is set by reference to the average of the standard variable tariffs charged by the 'Big 6' to their domestic customers less an agreed discount; this may not be competitive against the wholesale prices available to new and/or other independent suppliers. If the Group did not have the benefit of this long term supply agreement it would be exposed to the pricing risk of securing access to the necessary energy on the open market.

Competitive risk

The Group operates in highly competitive markets and significant service innovations or increased price competition could impact future profit margins. In order to maintain its competitive position, there is a consistent focus on ways of improving operational efficiency and keeping the cost base as low as possible. New service innovations are monitored closely by senior management and the Group is typically able to respond rapidly by offering any new services using the infrastructure of its existing suppliers. The Group offers a unique multi-utility proposition. The increasing proportion of Members who are benefiting from a genuine multi-

utility solution, that is unavailable from any other known supplier, materially reduces any competitive threat.

The Directors anticipate that the Group will face continued competition in the future as the market grows, new companies enter the market and alternative technologies and services become available. The Group's services and expertise may be rendered obsolete or uneconomic by technological advances or novel approaches developed by one or more of the Group's competitors. The existing approaches of the Group's competitors or new approaches or technologies developed by such competitors may be more effective or affordable than those supplied to the Group. There can be no assurance that the Group's competitors will not develop more effective or more affordable technologies or services, thus rendering the Group's technologies and/or services obsolete, uncompetitive or uneconomical. There can be no assurance that the Group will be able to compete successfully with existing or potential competitors or that competitive factors will not have a material adverse effect on the Group's business, financial condition or results of operations. However, as the Group's membership base continues to rise, competition amongst suppliers of services to the Group is expected to increase. This has already been evidenced by various volume-related growth incentives which have been agreed with the Group's three largest wholesale suppliers. This should ensure that the Group has direct access to new technologies and services available to the market.

Infrastructure risk

The provision of services to the Group's Members is reliant on the efficient operation of third party physical infrastructure. There is a risk of disruption to the supply of services to Members through any failure in the infrastructure e.g. gas shortages, power cuts or damage to communications networks. However, as the infrastructure is generally shared with other suppliers, any material disruption to the supply of services is likely to impact a large part of the market as a whole and it is unlikely that the Group would be disproportionately affected. In the event of any prolonged disruption isolated to the Group's principal supplier within a particular market, services required by Members could be sourced from another provider.

Energy industry estimation risk

A significant degree of judgement and estimation is required in order to determine the actual level of energy used by Members and hence that should be recognised by the Group as sales. There is an inherent risk that the estimation routines used by the Group do not in all instances fully reflect the actual usage of Members.

Gas Leakage within the national gas distribution network

The operational management of the national gas distribution network is outside the control of the Group. There is a risk that the level of leakage in future could be higher than those historically experienced, and above those currently expected.

Key man risk

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

Single site risk

The Group operates from one principal site and, in the event of significant damage to that site through fire or other issues, the operations of the Group could be adversely affected.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2015

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

Consolidated Balance Sheet

As at 31 March 2015

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

Consolidated Cash Flow Statement

For the year ended 31 March 2015

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2015

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

Notes

1. Segment reporting

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

- Customer Acquisition; and
- Customer Management.

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

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

Operating segments

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

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

Revenue by service

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

The Group operates solely in the United Kingdom.

2. Earnings per share

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

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

Adjusted basic earnings per share ¹	53.0p	48.5p
Basic earnings per share	40.6p	37.7p
Adjusted diluted earnings per share ¹	52.5p	47.7p
Diluted earnings per share	40.2p	37.1p

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

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

3. Dividends

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

The Directors have proposed a final dividend of 21p per ordinary share totalling approximately £16.7 million, payable on 18 August 2015, to shareholders on the register at the close of business on 24 July 2015. In accordance with the Group's accounting policies the dividend has not been included as a liability as at 31 March 2015. This dividend will be subject to income tax at each recipient's individual marginal income tax rate.

4. Related parties

Identity of related parties

The Company has related party relationships with its subsidiaries, its associate and with its directors and executive officers.

Transactions with key management personnel

Directors of the Company and their immediate relatives control approximately 23.8% of the voting shares of the Company.

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

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

	2015 £'000	2014 £'000
Short term employee benefits	1,200	1,142
Social security costs	296	601
Post employment benefits	83	106
	<u>1,579</u>	<u>1,849</u>
Share incentive scheme (credits)/charges	<u>(2,402)</u>	<u>3,454</u>
	<u>(823)</u>	<u>5,303</u>

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

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

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

Other related party transactions

Associates

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

Subsidiary companies

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

5. Prior year restatement

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

Background

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

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

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

Restatement

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

Gas

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

Electricity

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

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

Consolidated Statement of Comprehensive Income

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

Consolidated Balance Sheet

	2014 <i>Reported</i> £'000	Restatement adjustment £'000	2014 <i>Restated</i> £'000
Trade and other receivables	39,336	(193)	39,143
Prepayments and accrued income	120,786	(11,075)	109,711
Current tax payable	(3,360)	1,865	(1,495)
Accrued expenses and deferred income	(137,780)	<u>(1,842)</u>	(139,622)
Retained earnings	67,589	(11,245)	56,344
	2013 <i>Reported</i> £'000	Restatement adjustment £'000	2013 <i>Restated</i> £'000
Trade and other receivables	16,541	(184)	16,357
Prepayments and accrued income	115,947	(12,046)	103,901
Current tax payable	(2,815)	1,413	(1,402)
Accrued expenses and deferred income	(96,829)	<u>1,084</u>	(95,745)
Retained earnings	60,979	(9,733)	51,246

6. Basis of preparation

The financial information set out above does not constitute the Group's statutory information for the years ended 31 March 2015, 2014 or 2013, 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 2014. Statutory accounts for 2014 have been delivered to the Registrar of Companies and those for 2015 will be delivered following the Company's annual general meeting. The auditor has reported on these accounts, their reports were unqualified and did not contain statements under the Companies Act 2006, s498(2) or (3).

7. Directors' responsibility statement

The directors confirm, to the best of their knowledge:

(a) the financial statements, prepared in accordance with International Financial Reporting Statements ("IFRSs") as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and

(b) the Chairman's Statement, Chief Executive's Review, Financial Review and Principal Risks and Uncertainties include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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

Charles Wigoder – Executive Chairman
Julian Schild – Deputy Chairman and Senior Non Executive Director
Andrew Lindsay – Chief Executive Officer
Nick Schoenfeld – Chief Financial Officer
Melvin Lawson – Non Executive Director
Michael Pavia – Non Executive Director

By order of the Board