Company number 3263464

Telecom *plus* PLC

Report and Accounts

Year ended 31 March 2009

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Directors

Peter Nutting, Non-Executive Chairman
Peter, aged 73, is a former stockbroker and investment banker who has been a director and Chairman of a number of publicly listed and private companies. He was a member of the Council of Lloyds between 1990 and 1998 and Deputy-Chairman of the Lloyds Regulatory Board from 1992 to 1995. He joined the Company in April 1997.

The Hon. Charles Wigoder, Chief Executive
Charles, aged 49, qualified as a Chartered Accountant with KPMG in 1984 and was subsequently employed by Kleinwort Securities as an investment analyst in the media and communication sectors. Between 1985 and 1988, he was head of corporate finance and development at Carlton Communications Plc and then Quadrant Group plc. In March 1988, he left Quadrant Group to set up The Peoples Phone Company plc, which was subsequently purchased by Vodafone in December 1996. He joined the Company in February 1998.

Chris Houghton, Finance Director and Company Secretary
Chris, aged 30, qualified as a Chartered Accountant with PricewaterhouseCoopers in 2003. Whilst there, he gained experience in their Telecoms, Information, Communications, Entertainment and Energy team. Subsequently, he worked within the Corporate Finance department, where he completed a two year secondment at The UK Takeover Panel. He joined the Company in September 2008 and was appointed Finance Director and Company Secretary in February 2009.

Andrew Lindsay MBE, Chief Operating Officer
Andrew, aged 32, joined the Company in April 2007 and was appointed to the Board in November 2008. Before joining Telecom Plus, Andrew was Managing Director of Ryness, an electrical retail chain based in London in which he has a significant equity stake after performing a Management Buyout in 2006. Prior to buying Ryness, he spent three years as an analyst in the UK Mergers & Acquisitions team at Goldman Sachs. Andrew rowed for Great Britain at the Sydney Olympic Games in 2000, where he won a Gold medal.

Michael Pavia, Non-Executive Director
Michael, aged 62, is a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW), and has significant experience of the energy industry, having served on the Boards of LASMO, SEEBOARD and London Electricity. He is currently a non-executive director of Thames Water and Salamander Energy PLC, and is a member of the Council of the ICAEW. He joined the Company in December 2006 as an independent non-executive director and meets the test of independence under the Combined Code.

Melvin Lawson, Non-Executive Director
Melvin, aged 50, is the Managing Director of A Beckman PLC, a company formerly listed on the London Stock Exchange which was taken private in 1995, a director of Catalyst Media Group PLC and a number of other companies with a wide range of investment interests. He joined the Company in September 2006.

Richard Michell, Non-Executive Director
Richard, aged 63, is a Fellow of the Chartered Institute of Management Accountants. From 1988 to 1996 he was Treasurer of Sony Broadcast and Communication Limited, a subsidiary of Sony Corporation of Japan. From 1981 to 1988 he was Finance Manager and Company Secretary for Geosource UK Limited, a subsidiary of Geosource Inc, a leading US oil exploration company. He joined the Company in April 1997 as Finance Director. He is Chief Financial Officer of Minera IRL Ltd. He became a Non-Executive Director in September 2005.

Keith Stella, Senior Non-Executive Director
Keith, aged 54, is a practising solicitor and corporate finance partner with Berwin Leighton Paisner LLP and has over 30 years experience in a broad range of work in the company and corporate finance arena, handling flotations, de-mergers, acquisitions and disposals for a variety of clients, ranging from FTSE 100 companies to family run businesses, and advising the boards of listed and AIM companies extensively on their regulatory and legal obligations. He joined the Company in July 2000 as an independent non-executive director and continues to meet the test of independence under the Combined Code.

Chairman's Statement

I am delighted to report a further year of significant achievement for the Company, in which we have seen strong growth in turnover, profitability and earnings per share.

Results

Pre-tax profits increased by 34% to £22.5m (2008: £16.8m) on group turnover up by 49% to £278.3m (2008: £186.5m). This strong financial performance has been driven by the rapid growth in the number of customers using our services during the course of the year. Gross margins during the year fell from 19.3% to 18.6%, in line with management expectations, primarily reflecting the higher proportion of our business now represented by supplying gas and electricity, where the margins are considerably lower than from selling telephony and broadband services.

Earnings per share increased by 37% during the year to 24.2p (2008:17.7p) and we are recommending a final dividend of 12.5p. This makes a total dividend of 17.5p (2008:14.0p), representing an increase of 25% over last year.

The rate at which new customers have been signing up to become members of the Utility Warehouse Discount Club has been gathering pace steadily throughout the year. This has been driven by a combination of record numbers of new Distributors joining the business (almost 4,000 in the last quarter alone), growing confidence in the value of our services and the quality of customer service we provide, and an economic climate in which potential customers are increasingly looking for credible ways to reduce their costs. Residential Club membership increased by over 40% during the year to 222,705 (2008: 158,972) and our Business Club membership grew by almost 70% during the year to 16,163 (2008: 9,537); together, these clubs (trading under the Utility Warehouse brand) now account for 85% (2008: 77%) of our total customer base.

We are particularly encouraged by the accelerating rate of growth in the number of services we are providing, which reached 794,118 (2008: 591,981) by the year end – an increase of more than 202,000 services during the year. Of this total, 69,692 were added during the last quarter of the year, representing an annualised growth rate of over 38%.

We continue to invest significant resources in improving our UK-based customer service team, the effectiveness of which is clearly demonstrated by the various awards we received from *Which?* magazine over the course of the year. Churn has increased slightly from around 1.8% per month to 2% per month largely due to the faster organic growth we have been experiencing, and average spend per customer has grown to £1,057 (2008:£824).

Oxford Power Holdings ("Opus"), in which we maintain a 20% stake, continues to produce satisfactory results. Our share of their profits was fractionally lower than last year at £0.89m (2008: £0.94m) in what proved to be a very difficult year for other independent resellers of commercial electricity, which saw their two principal competitors (Bizz Energy and E4B) both going into administration. Opus's solid performance demonstrates the resilience of their business model and the strength and experience of their management team. International Power Holdings PLC, which currently own a 30% stake in the business (the remaining 50% is held by management), has a call option under which it can acquire the remaining 70%. This option is exercisable during a 30 day window beginning on the date that Opus completes its audit for the year to 31 March 2009, which is expected to occur shortly. The formula under which this option can be exercised places a value of approximately £15m on our stake in this business.

Year-end net cash balances fell by £4.9m to £25.4m (2008: £30.3m). This reduction reflects the significant growth in our energy business and the impact of an extremely cold winter which, combined with higher retail energy prices, has increased budget plan debtors by £14.1m to £23.2m at the year-end, and the cost of purchasing and refurbishing our new freehold headquarters office building for around £10m. The overall cash outflow was partially offset by issuing 1.5m shares from Treasury in February, which raised £4.7m.

Business Development

Our Distributors have become increasingly confident in the overall strength of our customer proposition, which combines convenience, value and a consistently high quality of customer service; this has resulted in a substantial increase in activity. We have seen a net increase of around 7,500 Distributors over the year (2008: net increase of 3,000), taking the total number of Distributors to around 27,100 (2008:19,600); this represents an increase of over 38% during the year, most of which took place during the second half and provides a strong indication of the level of customer gathering activity that can be expected during the first half of the current year. Our Distributor numbers include approximately 1,000 Community Fundraisers, a relatively new business opportunity introduced in October 2007, which enables local organisations (e.g. schools, sports clubs, religious bodies and charities) to raise funds by promoting the benefits of using our services within their communities.

Our IT systems have been designed to manage a significantly larger number of customers than are currently using our services, and the recent purchase of a substantial freehold office building gives us the additional physical space we will need to support our anticipated future growth over the next five years. This means we have the potential to benefit from substantial economies of scale as the number of services we provide continues to grow. The achievement of these economies of scale, and maintaining our current growth trajectory, remains our key business priority over the next few years.

Last autumn we introduced full colour billing, enabling us to improve the clarity of the information provided to customers, highlighting the various savings and membership benefits they are receiving, and also giving us the opportunity to incorporate more effective marketing messages each month.

We also launched a pre-payment MasterCard ("CashBack Card") as an important new customer acquisition and retention tool. This gives our members the opportunity to save an additional 5% on their shopping at a wide range of participating retailers, which they receive as a credit on their next monthly bill from us. This valuable additional membership benefit has been well received, and customers using their new cards are achieving typical savings of 15%-30% on the cost of their utilities each month.

We have also enhanced our customer proposition with the introduction of "Free Global Calls" (where customers with multiple services can benefit from free calls at any time of day to UK Local and National destinations, 0845 and 0870 numbers, and to 10 popular international destinations), whilst reducing our fixed monthly line rental to £8.99, substantially below the price charged by any of our principal competitors.

Recently published customer satisfaction surveys continue to compare us favourably against our competitors, and we were delighted to receive our first "Best Buy" recommendation from *Which?* magazine during the year for our combined fixed telephony and broadband package. They also rated us as the best energy supplier on two separate occasions, with a customer satisfaction rating significantly higher than any of the "Big 6" suppliers. And when we asked our own customers directly for their opinion, over 94% said they would recommend us to a friend.

We intend to capitalise on these positive opinions by continuing to promote our customer referral programme. This provides existing members who successfully recommend a new customer to us with an ongoing additional discount on their own monthly utility bill – a discount which increases with the number of new customers they introduce. This initiative is being supported by our inbound telesales fulfilment team, which enables potential new customers (particularly those introduced by community fundraising groups) to sign up for our services with the minimum of effort or inconvenience.

Once again I would like to thank our staff and Distributors for the loyalty they have shown, and the continuing contribution they are making to the success of the Company.

Board Changes

I am delighted to welcome Christopher Houghton to the Board, who joined the Company last autumn and was promoted to Finance Director in February 2009 following the departure of Mr Hateley. His previous experience at PricewaterhouseCoopers, where he qualified as a chartered accountant and had recently completed a two year secondment to The Takeover Panel, clearly identify him as a candidate of exceptional ability, and we were delighted when he accepted our offer. His appointment represents a further important step in our continuing programme to strengthen our senior management team in line with the significant organic growth being achieved.

Outlook

Since the year end we have seen continuing high levels of activity, with strong growth in both new customer and new Distributor numbers. The confidence we expressed last year in the ability of our business to continue to deliver strong results has been vindicated.

The nature of our business model continues to give us considerable visibility over future revenues, and it is extremely encouraging that we were able to maintain satisfactory gross margins last year in each of the business areas in which we operate. However, it is more difficult to provide accurate guidance on short-term profitability during periods of rapid growth, not least due to the conservative accounting policy we adopt where all customer acquisition costs are immediately written off against profits. This difficulty is exacerbated by the seasonal nature of domestic energy consumption in the UK, where approaching 40% of annual consumption occurs in the final quarter of each financial year, and the actual amount used can fluctuate considerably depending on the weather.

Although the absolute amount of energy our customers will use this year remains subject to considerable uncertainty, as explained above, the Company remains protected against any volatility in the wholesale energy markets under our long-term supply arrangements with npower, under which they are responsible for providing the energy used by our customers in accordance with a price formula designed to ensure we earn a positive margin whilst maintaining competitive retail prices. The forward price curves for gas and electricity suggest that retail prices are unlikely to fall much further from their current levels over the next 12 months.

We are still the UK's only fully integrated multi-utility provider, offering customers consistent value across a wide range of services with the added convenience of receiving just a single clear and concise bill each month. Our distribution channel has demonstrated its continuing ability to gather high quality new customers, cost-effectively and in increasing volumes; this gives us a considerable competitive advantage in the residential market.

The directors consider the rapid and accelerating growth curve we are currently following is the best way to maximise shareholder value in the medium term, notwithstanding any pressure it may create on our profitability in the meantime. As we fund this rapid growth from the earnings generated by our current customer base, it will clearly have an impact on our reported earnings, which are also being adversely affected by a number of other factors, namely: a reduction in our financial income of around £1.5m compared with last year as a result of the sharp fall in interest rates; slightly lower energy margins following the reduction in retail prices from 1 April and a further small reduction anticipated later this year; additional fixed costs associated with our new headquarters office building; and an increase in bad debts. For these reasons, we believe at this stage it is unlikely our profits for the current year will match the record figure for last year.

Dividend

We are proposing a final dividend of 12.5p for the year (2008: 10p) making a total for the year of 17.5p (2008: 14p). This represents an increase of 25% in our total payment compared with last year. The final dividend will be paid on 7 August 2009 to shareholders on the register at the close of business on 10 July 2009 and is subject to approval by shareholders at the Company's Annual General Meeting which is being held on 8 July 2009.

Notwithstanding anticipated lower profits in the short-term, it remains our intention to pay a total dividend of 22p for the current year in the absence of unforeseen circumstances, even though this may not be fully covered by our earnings.

This reflects our confidence in a continuation of the current rapid growth we are seeing in both new services and new customers, which can be expected to provide the Company with a platform from which to deliver significantly higher profits in future years.

Peter Nutting
Chairman
20 May 2009

Business Review

Performance

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

- record Group turnover and pre-tax profits of £278.3m and £22.5m respectively;
- continuing strong underlying cash generation;
- significant growth in the number of Distributors actively promoting our services;
- 34% increase in the number of services we are providing to over 790,000;
- successful launch of new CashBack Card and mobile Pre-Pay service;
- 69% increase in membership of our Business Club.

This exceptional performance has been driven by increasing confidence within our distribution channel in our financial strength (as demonstrated by our profitability, cash resources, and promotion into the FTSE250), the value of our services, and our commitment to ensuring we consistently deliver a first class experience to our customers (as evidenced by the numerous independent endorsements we have received in magazines like *Which?*).

Our growth has benefited from the deteriorating economic climate, which has made the part-time earning opportunity we offer new Distributors increasingly attractive against the background of a broader labour market where working hours are being cut, overtime is being reduced, part-time jobs are less readily available and unemployment is rising. It has also made it easier for Distributors to find new customers, as households become more focused on finding new ways to reduce their monthly outgoings.

Margins

Gross margins improved during the year in all areas of our business, primarily reflecting the continuing competitive pressure on the owners of network infrastructure to attract and retain call traffic from the dwindling number of substantial independent resellers like ourselves, and the impact of higher energy prices compared with the previous year. The overall gross margin reduced slightly, however, due to the increasing proportion of our turnover which derives from supplying energy (which has relatively low gross margins) compared with telephony and broadband (which has relatively high gross margins), and the impact of providing "Free Global Calls" to a growing proportion of our customers.

The Market

Our focus is on supplying a wide range of essential utility services (gas, electricity, fixed telephony, mobile telephony and internet) to both domestic and small business customers. These are substantial markets and represent a considerable opportunity for further organic growth.

We remain a small operator in a market dominated by the former monopoly suppliers and a handful of other new entrants. However, our unique position as the only integrated multi-utility supplier gives us a considerable competitive advantage. We combine a highly efficient cost base, good customer service and competitive pricing with the unique benefit of a single monthly bill for each customer.

Our Customers

The majority of our customers choose to take advantage of our multi-service proposition, with over 85% having joined our Discount Club since its launch in October 2003.

On average, each member of our residential club now takes 3.07 services (2008: 3.13) with 85% taking two or more services, and 51% taking three or more services; this slight reduction in the average number of services per member compared with last year reflects an increase in the proportion of "energy only" customers, who are primarily in rental accommodation. These figures (which exclude CashBack cards) are illustrated by the analysis below, and demonstrate the effectiveness of our Club concept in encouraging customers to subscribe for additional services:

	Members	Non-Members
1 Service	15%	55%
2 Services	34%	37%
3 Services	13%	6%
4 Services	14%	2%
5 Services	20%	-
6 Services	3%	-
7 Services	1%	-

At the year end we had 238,868 members and 42,307 non-members. Non-members relate to customers gathered prior to the launch of our Discount Club in October 2003 or who have moved into a property where we were the incumbent utility supplier, and have not yet applied to join the Discount Club.

The combination of an increasing proportion of customers taking our Broadcall service and higher retail energy prices has led to a further increase in average revenue per customer, notwithstanding considerable price deflation in the fixed telephony markets over the last nine years.

Year	Average Revenue per Customer
1999	£190
2000	£286
2001	£316
2002	£329
2003	£459
2004	£482
2005	£505
2006	£634
2007	£801
2008	£824
2009	£1,057

We enjoy high levels of overall customer satisfaction, as evidenced by the positive reviews we have received from *Which?* magazine on a regular basis, the relatively low churn we experience and a recent survey which we carried out amongst our members where over 94% stated that they would recommend us to their friends. Our overall monthly churn increased slightly to around 2.0% during the year, but remains considerably below the average levels experienced by our competitors, when compared with customers who had similarly already switched away from their original supplier.

We further increased the range of benefits available to our members during the year, with the launch of a CashBack Card (which gives members the opportunity to save an extra 5% on all their shopping at a wide range of leading UK retailers), and the introduction of "Free Global Calls".

Services

Our range of essential utility services includes fixed telephony (calls and line rental), mobile telephony, gas, electricity and internet. At the year end we supplied a total of 794,118 services (2008: 591,981), representing an increase of over 34% during the course of the year.

	2009	2008
Electricity	209,262	133,873
Gas	177,452	113,761
Home phone	167,607	155,035
Fixed line rental	116,622	87,108
Broadband	76,717	55,564
Mobile	35,550	36,358
Freephone	10,908	10,282
Total	**794,118**	**591,981**

We saw strong growth in the number of customers to whom we supply gas, electricity, broadband, home phone and fixed line rental, although there was a small reduction in the number of mobile services during the first half of the year prior to the launch of our mobile Pay as you Go service in the Autumn.

Included within the above figures are 16,163 members of our Business Club, who are taking in aggregate over 39,497 services and contributing £24m (2008: £11.1m) to Group turnover. We are extremely encouraged by this strong performance, and the continuing enthusiastic response of our distribution channel to this opportunity.

Customer Service

We pride ourselves on delivering first-class customer service through a single call centre, based in the UK. Our policy is to ensure that the first person a customer speaks to is able to resolve any issues with their account, irrespective of how many different services we are providing to them.

We continue to invest in improving our customer service resources, and have developed specialist teams capable of dealing with some of the more complicated problems which arise due to continuing inefficiencies in the standard industry processes for switching customers between suppliers. We are also developing a range of qualitative and quantitative performance measurement tools for our Call Centre, so that we can further improve the overall quality of our members' customer service experience.

Our People

We rely on the combined efforts of over 400 employees to manage relationships with both our customers and Distributors, and deliver a consistently high quality of service at all times. We pay considerable attention to recruiting and retaining appropriate people.

The combination of valuing and developing our staff, our service oriented culture and the day-to-day reinforcement of our core values are key competitive advantages in enabling us to attract and retain a motivated, talented and diverse workforce. Opportunities for employment, training, career progression and promotion are determined on the basis of each individual's ability, attitude and track record, irrespective of their gender, ethnic origin, nationality, age, religion, sexual orientation or disability.

Employees are kept informed on a regular basis of the financial performance of the business and other matters of potential concern to them through internal communication channels including email and the Company's intranet service. We also have an established staff forum, which includes a representative from each department in the Company, to enable employees to give their views on any major changes being considered by management which might have a material impact on their roles within the organisation.

We continue to invest in our premises to ensure the working environment is as attractive as possible, consistent with the practical needs of running the business. We are currently part-way through a rolling programme that will include redecorating our current office accommodation, and have just completed the first phase of refurbishing our new headquarters office building.

The Company operates an HM Revenue and Customs approved employee share option plan, under which employees are granted an option to purchase shares in the Company which is exercisable between three and ten years from the date of grant. The exercise price is the market price at the time of granting the option. Our policy is to issue options to all employees after the satisfactory completion of their probationary period. As at 31 March 2009, there were outstanding options over 1,620,650 shares which had been granted to staff, representing approximately 2% of the issued share capital of the Company.

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

We also encourage all employees to participate in a stakeholder pension scheme operated by Legal & General. Participants can choose their own contribution level which is matched by the Company within certain limits, depending on length of service.

Our Distributors

Our Distributors remain one of our key strengths. In contrast to other utility suppliers, the alignment of financial interests provided by our revenue-sharing model ensures that our Distributors focus their activities on finding credit-worthy and high-spending customers 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 generally both inadvertent and extremely rare.

Our Car Plan, which provides eligible Distributors with a subsidised Utility Warehouse branded Mini, remains extremely popular and we have now supplied over 170 cars following the extension of the programme in October 2007 to bring it within reach of a substantially larger number of Distributors. Owners find these helpful in raising their local profile, resulting in enquiries from both potential new customers and Distributors.

Distributors have generally seen a considerable increase in their average earnings from each customer during the last three years as a result of the growth in the number of services taken combined with rising energy prices. The largest increases in earnings have however been achieved by those who have been working consistently at building their personal and group customer numbers. Our unique market position continues to make this predominantly part-time career extremely attractive to potential new recruits.

We have continued to invest in our national training programme (the "College of Excellence") during the year, in order to keep up with the massively increased demand for its services from the rapidly growing numbers of new Distributors who are joining each month. These are designed to help our Distributors maximise their potential and provide our next generation of leaders with the additional skills they will need. In addition to increasing the frequency and number of venues for our "Career Opportunity Presentations" and "Getting Started" courses, we now also run Goal Setting Courses, Accelerator Courses and an enhanced Leadership training module. In addition, we have recently begun to investigate the possibility of extending the scope of our training so that successful participants can gain a valuable NVQ qualification, and will be trialling this program over the next few months.

The Environment

The environment is becoming an increasingly important concern and we participate in programmes to help reduce the environmental impact of our activities.

We operate an energy efficiency helpline to provide advice on how customers can reduce their energy usage, and we also participate actively in the "Shred-it" recycling programme, with a certificated saving of 165 trees during the year. We also participate in a mobile phone recycling scheme which sends old handsets to less developed parts of the world for re-use, rather than disposing of them in landfill sites.

Principal Risks

The Group faces various risk factors, both internal and external, which could have a material impact on long-term performance.

Reputation risk
Telecom *plus*'s reputation amongst our business partners, suppliers, shareholders and customers is fundamental to the future success of the Group. Failure to meet expectations in terms of the services we provide, the way that we do business or in our financial performance could have a material effect on the Group. These risks are mitigated through our focus on quality customer service, the training of our staff and our systems of internal control and risk management.

Wholesale prices
The Company does not currently own or operate any network infrastructure itself, choosing instead to purchase the capacity needed from third parties. The advantage of this approach is that the Company is not exposed to either technological risk, capacity risk or the risk of

obsolescence, as it can purchase each month the exact 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 Company 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). The profile of our customers, the significant quantities of each service they consume in aggregate, and our clearly differentiated route to market has historically proven attractive to potential partners, who compete aggressively in order to secure a share of our business.

The supply of energy, which has been accounting for an increasing proportion of our sales each year, 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. To avoid these, the Company decided in 2005 to seek a relationship with a larger energy supplier which would preserve our integrated multi-utility business model whilst passing the substantive risks and rewards of hedging and buying energy to them. The transaction with npower which was completed on 31 March 2006 achieved these objectives, and has enabled the Company to earn a positive contribution from providing energy since that date.

Bad debt risk on energy customers
The Company has a universal supply obligation in relation to the provision of energy to domestic customers. This means that although the Company is entitled to request a reasonable deposit from potential new customers who are not considered credit worthy, the Company 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 ("Delinquent Customers"), there is likely to be a considerable delay before the Company is able to eliminate its exposure to future bad debt from them by either installing a pre-payment meter or disconnecting their supply, and the costs associated with preventing such Delinquent Customers from increasing their indebtedness are not always recoverable.

Bad debt risk on telephony customers
There is regular fraud within the telephony industry which arises from customers using the services without intending to pay their supplier. Although the amounts involved are generally small, larger-scale fraud is sometimes attempted involving calls to premium rate and/or international destinations. The Company has sophisticated systems to prevent material losses arising as a result of such fraud by processing all call traffic on an hourly or daily basis, and promptly disconnecting any number whose usage profile appears to be suspicious, although short delays are sometimes experienced in receiving information from our network partners.

Information technology risk
The Company is dependent on its proprietary billing and customer management software for the successful implementation of its business strategy. This software is developed and maintained in accordance with the changing needs of the business by a small team of highly skilled, motivated and experienced individuals. Back-ups of both the software and data are made on a regular basis and securely stored off-site.

Competitive risk
The Group operates in highly competitive markets and significant product innovations or increased price competition could affect our margins. In order to maintain our competitive position, we constantly focus on ways of improving our operating efficiency and keeping our cost base as low as possible.

Legislation and regulatory risk
The Group is subject to varying laws and regulations, including possible adverse effects from European regulatory intervention.

Risk management
The business 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 and prioritised, and systems of control are in place to manage such risks.

Charles Wigoder
Chief Executive
20 May 2009

Financial Review

Overview

Revenues of £278.3m (2008: £186.5m) were 49% higher than in the previous financial year to 31 March 2008. The pre-tax profit was £22.5m (2008: £16.8m), and we saw a net cash inflow from operating activities of £9.1m. Overall, our year-end net cash position reduced slightly to £25.4m.

The increase in turnover to £278.3m was primarily due to the 34% increase in the number of services we are providing compared with the previous year, combined with the impact of higher retail energy prices. This was partially offset by a reduction in our fixed monthly line rental charges last autumn.

The overall gross profit margin fell slightly during the year to 18.6% (2008: 19.3%), reflecting the increasing proportion of our turnover which now derives from supplying energy, partially offset by higher margins from each of the individual services we provide. The increase at the operating profit level was primarily due to the rise in the number of services we are providing, combined with the impact of higher energy prices and improving economies of scale, although our bad debt charge rose to £7.2m (2008: £3.1m) due to a combination of significantly higher turnover and a more difficult economic climate.

Earnings per share increased by 37% to 24.2p (2008: 17.7p) and the Company is therefore proposing a final dividend of 12.5p (2008: 10p) per share, making a total dividend of 17.5p (2008: 14p) per share for the year; a 25% increase.

Customer Management Business

Our customer management business experienced significant growth during the year, with the rate accelerating with each passing quarter:

	Net growth in number of services provided
Quarter to 30/06/08	26,339
Quarter to 30/09/08	41,204
Quarter to 31/12/08	64,902
Quarter to 31/03/09	69,692

This growth has been driven by the significant increase in new Distributor recruitment over the last 12 months, mainly due to the attractiveness of this predominantly part-time income opportunity in a recessionary economic climate, supported by rising confidence in the financial strength of the Company, the value we offer, and the quality of our customer service.

We saw particularly strong growth in the number of gas and electricity services we supply. This was largely responsible for the increase of almost 50% in our revenues for the year, although we also experienced high levels of demand from new customers for our broadband and fixed telephony services on the back of our "Best Buy" recommendation in *Which?* Magazine.

Revenue by Service (£m)	**2008**	**2009**
Electricity	65.8	101.6
Gas	57.0	107.5
Fixed Telephony Calls	29.7	30.3
Fixed Telephony Line Rental	10.6	10.8
Mobile	10.8	9.5
Broadband	10.2	14.3
	-	-
Total	184.1	274.0

Customer Acquisition

The net cost in respect of our Customer Acquisition business increased during the year to £5.0m (2008: £3.6m). This is mainly due to the costs associated with the significant increase in the number of new customers, such as third-party connection charges, Distributor bonuses and the provision of hardware (e.g. mobile handsets and broadband routers).

Between October 2007 and February 2009 we offered a "BroadCall Laptop" tariff, under which customers were provided with a free laptop in return for entering into a two-year service agreement on a premium tariff. The cost of supplying these laptops has been capitalised and is being amortised against the profits we earn from supplying their broadband service over the minimum contract term. The amount included on the balance sheet at 31 March 2009 in respect of these laptops was £1.3m (2008: £0.6m); all other customer acquisition costs are expensed as incurred. Although this tariff is no longer available for new customers, those already benefiting from it are able to continue using this service for as long as they choose.

Distribution and Administrative Expenses

Distribution costs, which primarily represent the share of our revenues which we pay as commission to Distributors, increased by £3.1m to £11.7m (2008: £8.6m); this reflects the substantial growth in turnover during the year.

Administration expenses have remained constant at around 7.2% of turnover, notwithstanding an increase in bad debts due to a combination of higher revenues and a more difficult economic climate. Personnel expenses increased to £11.6m (2008: £8.9m) as we continue to build our customer service and administration resources to support the significant increase in the number of services we are providing. Property costs have also increased following our acquisition of additional freehold office premises at the end of September and our move to new leasehold warehouse premises in November.

Share Option Costs

The operating profit is stated after share option expenses of £454,000 (2008: £54,000). These expenses relate to an accounting charge under IFRS 2 'Share based payments'.

Taxation

The amount of corporation tax payable in respect of the year is £7.0m (2008: £5.1m).

The effective tax rate for the year is 28.0% (2008: 28.7%).

Treasury Shares

At the start of the year, the Company held 2,879,868 shares in treasury following the successful share repurchase programme which had been in operation the previous year.

During the year, 586,093 of these shares were used to satisfy exercises under the Company's two share option plans, and 1,500,000 were issued for cash in February 2009 to provide additional working capital, leaving a balance in treasury of 793,775 at 31 March 2009.

Cash Flow and Balance Sheet

Underlying cash flow remains strong, with net cash generated from operating activities of £9.1m (2008: £15.3m) notwithstanding the significant organic growth we achieved during the year. The primary reason for this reduction of £6.2m compared with last year is the impact on customer Budget Plan balances of the exceptionally cold weather this winter. Overall cash outflows were partially offset by the £4.7m proceeds from the sale of Treasury Shares in February 2009.

Budget Plan customers spread the cost of their expected annual energy consumption into 12 equal monthly instalments. As a high proportion of each customer's annual energy consumption is used during the winter period, this means that our energy debtors reach a peak at the end of each winter before falling as we move through the spring and summer months. Winter this year was much colder than usual (following average winter temperatures in 2008), which has led to an increase in the gross energy Budget Plan debtor balance of £14.1m (included within prepayments and accrued income) compared with the position at the end of March 2008. This adverse movement was exacerbated by the higher retail energy prices which applied this winter, compared with the corresponding period the previous year.

We purchased a freehold office building during the year at a cost (including refurbishment) of around £10m, which has been funded from our existing cash resources.

The Group does not have a policy with respect to interest rate management as it currently has no debt funding requirements. Cash surpluses are placed on deposit with Barclays Bank plc at money market rates to maximise returns, after allowing for the Company's working capital requirements.

Chris Houghton
Finance Director
20 May 2009

Directors' Report

The directors have pleasure in presenting their report and the audited financial statements for the year to 31 March 2009.

Principal Activities and Business Review

The principal activity of the Group is the supply of fixed telephony, mobile telephony, gas, electricity and internet services to residential and small business customers, who are primarily acquired through a network of independent Distributors.

The Group intends to expand its subscriber base and continue to develop the systems which are required to provide its customers with a consistently high standard of service.

A full review of the development of the business is contained in the Chairman's Statement, Business Review and Financial Review. A summary of the financial risk management objectives and policies is contained in note 17 to the financial statements.

Results and Dividends

The profit for the year after tax of £16,184,000 (2008: £11,954,000) has been transferred to reserves. An interim dividend of 5p per share (2008: 4p) was paid during the year. A final dividend of 12.5p per share (2008: 10p per share) is proposed.

Directors

The names of directors who served during the year and their interests in the share capital of the Company at the start and end of the year are:

	Ordinary 5p shares held at	
	31 March 2009	31 March 2008 (or at date of appointment)
Peter Nutting*	1,006,750	1,026,750
Charles Wigoder	16,104,041	16,084,041
Andrew Lindsay (appointed 25 November 2008)	6,465	6,465
Chris Houghton (appointed 16 February 2009)	-	-
Melvin Lawson*	2,050,000	2,050,000
Richard Michell*	376,686	376,686
Michael Pavia*	10,000	10,000
Keith Stella*	95,628	92,294
Richard Hateley (resigned 16 February 2009)		50,000

* indicates non-executive directors

In respect of the above shareholdings, Messrs. Wigoder and Nutting have non-beneficial interests in 2,200,000 and 20,000 shares respectively (2008: 2,150,000 and 20,000). There have been no other movements in any of the directors' interests in the share capital of the Company between 1 April 2009 and 20 May 2009.

In compliance with current best practice, Mr Nutting who is aged over 70, will be retiring and offering himself for re-election at the forthcoming Annual General Meeting.

Similarly, Messrs. Stella and Lawson will be retiring by rotation in accordance with the Company's articles of association and will be offering themselves for re-election.

As directors appointed since the last Annual General Meeting, Messrs. Lindsay and Houghton will also be offering themselves for appointment.

Directors' and Officers' Liability Insurance

The Company maintains appropriate insurance to cover directors' and officers' liability and has provided an indemnity in respect of all of the Company's directors. Neither the insurance nor the indemnity provides cover where a director has acted fraudulently or dishonestly.

Creditors' Payment Policy

It is the policy of the Group to pay all suppliers according to the terms agreed. At the year end trade creditors were on average 59 days old (2008: 38 days).

Donations

The Group made charitable donations of £4,196 during the year (2008: £6,614). No political donations were made during the year.

Employees

The requirements of the Companies Act in respect of employees are set out in the Business Review on page 10.

Substantial Shareholders

As at 19 May 2009, in addition to the directors, the following have notified the Company of their substantial shareholdings as detailed below:

	Number of Shares	Percentage of issued Share Capital
Standard Life Investments Ltd	6,040,837	8.9%
JP Morgan Asset Management (UK) Ltd	4,159,806	6.1%
Herald Investment Trust plc	2,965,000	4.3%
Nigel Wray	2,230,678	3.3%
Sheldon Management Ltd	2,209,028	3.2%

Capital structure

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

So far as the directors are aware, there were no arrangements at 31 March 2009 by which, with the Company's co-operation, financial rights carried by securities are held by a person other than a holder of securities, or any arrangements between holders of securities that are known to the Company and which may result in restrictions on the transfer of securities or on voting rights.

Certain directors, former directors and employees of the Company and members of their families and associated parties have entered into an option with npower which expires on 20 November 2009 under which they are not permitted to transfer their shares to a third party. In addition, certain members of senior management have loans secured against some or all of their shareholdings in the Company which restrict their ability to transfer these shares prior to repayment of the loans.

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

Authority for purchase of own shares
At the last AGM, the Company obtained authority to purchase up to 6,903,000 ordinary shares representing 10% of the issued ordinary share capital as at 21 May 2008. The Company has not utilised any of this authority during the year ended 31 March 2009.

Disclosure of Information

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

By Order of the Board
Chris Houghton
Company Secretary
20 May 2009

Corporate Governance Statement

The Board has complied with the revised Combined Code produced by the Committee on Corporate Governance (except where detailed below) and has applied the principles of good governance in the following ways:

The Board of Directors

The Board meets regularly to review the progress of the Company and to discuss the measures required for its future development. Directors are provided in advance with a formal schedule of matters to be discussed at each meeting, and with the information needed to monitor the progress of the Company. Records of meetings and the decisions of the Board are maintained by the Company Secretary and are approved by the Board at the following meeting. All directors have access to the advice and services of the Company Secretary, and if required are able to take independent advice at the Company's expense in the furtherance of their duties. Any question of the removal of the Company Secretary is a matter for the Board as a whole. While the members of the Board are all experienced and well qualified, the opportunity to receive further training at the Company's expense is available to them at all times. Mr Houghton attended training to assist him in the role of Company Secretary. An internal evaluation of the performance of the Board as a whole, of its Committees and of the individual directors during the course of the year has been carried out in accordance with section A.6 of the Combined Code, which concluded that all were operating effectively. This included an appraisal of the Chairman, although no separate meeting took place to appraise his performance. The Chairman informally discusses issues with other non-executive directors periodically as required.

Table of Attendance at Meetings during the year ended 31 March 2009

Name of Director	Board	Remuneration Committee	Audit Committee	Nomination Committee
Number of meetings	*14*	*5*	*3*	*4*
Peter Nutting	13	5	3	-
Charles Wigoder	14	-	-	4
Andrew Lindsay	6	-	-	-
Chris Houghton	2	-	-	-
Richard Hateley	12	-	-	-
Melvin Lawson	14	-	-	-
Richard Michell	8	-	-	-
Michael Pavia	11	5	3	4
Keith Stella	11	5	3	4

Chairman and Chief Executive Officer

There is a clear division of responsibilities at the head of the Company with the Chairman responsible for running the Board, and the Chief Executive responsible for running the Group's business.

Board Balance

The Board is composed of three executive directors and five non-executive directors. The non-executive directors have wide experience and a variety of skills. Keith Stella and Michael Pavia are independent non-executive directors, whilst all other non-executive directors remain independent of management and are free from any business or other relationship which could materially interfere with the exercise of their independent judgement. Keith Stella has agreed to act as the senior independent non-executive director.

As noted above, the performance of the Chairman was appraised as part of the evaluation of the performance of the individual directors, without a formal meeting of the non-executive directors taking place during the year as required by section A.1.3 of the Combined Code.

Supply of Information

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

Re-election

One third of all directors are required to retire by rotation at each Annual General Meeting and all newly appointed directors are required to offer themselves for election by the shareholders at the next Annual General Meeting.

Directors' Remuneration

The Board has a Remuneration Committee whose responsibility it is to ensure that the remuneration of directors is sufficient to attract, retain and motivate people of the quality required. The Remuneration Committee was comprised of three non-executive directors, namely Keith Stella (Chairman of the Committee), Peter Nutting and Michael Pavia. The revised Combined Code (provision B.2.1) states that the Committee should only comprise independent non-executive directors and does not define Mr Nutting as independent. However, the Board considers that Mr. Nutting makes a valuable contribution to the Remuneration Committee due to his considerable business experience. The directors' remuneration report, giving the details of the emoluments of each director, may be found on pages 24 to 29.

Audit Committee and Auditors

The Audit Committee is composed of three non-executive directors, Michael Pavia (Chairman of the Committee), Peter Nutting and Keith Stella. The revised Combined Code (provision C.3.1) states that the Committee should only comprise independent non-executive directors and does not define Mr Nutting as independent. However, the Board considers that Mr Nutting's financial knowledge and considerable business experience are important to the Audit Committee. The Committee has written terms of reference which describe the authority and duties which have been delegated to it by the Board. Among these duties are the review of risk assessment, internal controls, financial reporting and the results of the audit, the appointment of external auditors and the direction of the auditors to investigate any matters of concern.

In its meetings the Committee receives a report on the risk assessment, the systems of internal control and their effectiveness, and uses the meeting with the auditors as a further means of evaluating these measures.

The auditors have provided certain tax and other services to the Group during the year. The Committee has reviewed the services provided and considers that auditors' objectivity and independence are not compromised and that the auditors are best placed to provide these services.

Nomination Committee

The Nomination Committee comprised Michael Pavia (Chairman of Committee), Keith Stella and Charles Wigoder, and therefore has a majority of independent non-executive directors in compliance with the revised Combined Code (provision A.4). The purpose of the Nomination Committee is to make recommendations to the Board on the appointment of new directors. The Committee has written terms of reference which describe the authority and duties which have been delegated to it by the Board. The activities of the Nomination Committee are set out on page 30.

Relations with Shareholders

It is the policy of the Group to maintain a dialogue with institutional shareholders and to keep them informed about the objectives of the business. The Board considers that it is appropriate for the Chief Executive to discuss issues with major shareholders. The Chief Executive feeds back comments from major shareholders to the other directors, in order to ensure that Board members, and in particular non-executive directors, develop a balanced understanding of the views of major investors. Both the Chairman and the Chief Executive have periodic discussions with the Company's Brokers and feed back issues to the Board as appropriate.

Notice of the Annual General Meeting and related papers are sent to all shareholders at least 20 working days before the meeting. Separate resolutions are proposed for each issue including the adoption of the Report and Accounts, the Directors' Remuneration Report and the appointment of auditors. Proxy votes are counted and the meeting is advised of the number of proxies lodged for and against each resolution. The Chairmen of the Audit, Remuneration and Nomination committees and the remaining non-executive directors are available to answer questions. Shareholders who attend are invited to ask questions and take part in the meeting.

Financial Reporting

The Board believes that the report and accounts contained in this document represent a balanced and understandable assessment of the Group's position and prospects. The directors acknowledge their responsibility for preparing the accounts and the auditors have made a statement in this regard.

Internal Control

The board of directors has continued to review the internal controls of the Group and the principal risks which the Group faces. Measures have been taken to reduce certain risks and improve control over the assets of the Group. The Group is fully compliant with the guidance given by the Turnbull Committee. The Board acknowledges that it is responsible for the Group's system of internal control and risk management, and has completed the procedures for review and evaluation of internal controls and risk management. It is, however, recognised that no system can eliminate risk entirely. The Audit Committee has reviewed the need for an internal audit function and have concluded that the size and nature of the Group do not justify such a function at present.

Going Concern

The directors believe, after making inquiries they consider to be appropriate, that the Group has adequate resources to continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Policy Statement

The Group has been in compliance with the revised Combined Code throughout the year, save as referred to above. Careful consideration has been given by the Board to the departures from the revised Combined Code. In all instances, the Board has considered the commercial implications and concluded that the instances of non-compliance were not in any way to the detriment of the Company or its shareholders.

Directors' Remuneration Report

This report, which has been prepared in accordance with the provisions of the Combined Code, has been approved by the board of directors for submission to shareholders for approval at the forthcoming Annual General Meeting. The section under the heading "Directors' Remuneration" has been subject to external audit.

Remuneration Committee

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

The Committee is comprised of three non-executive directors, Keith Stella (Chairman), Peter Nutting and Michael Pavia. Although he is Chairman and as such is not an independent director, Mr Nutting continues to make an important contribution to the affairs of the RemCo and the Committee considers it would be contrary to the interests of the Company to require him to relinquish that role.

The Committee met formally five times during the year and details of attendance at these meetings are provided in the Corporate Governance Report on page 20. The Committee additionally met informally on a number of occasions during the year, generally by conference call, principally to discuss the proposed new remuneration arrangements for Mr Wigoder, which are referred to below.

During the course of the year, the Committee engaged the services of Hewitt New Bridge Street Consultants, a firm of independent remuneration consultants, to provide the Committee with advice in connection with proposed new remuneration arrangements for Mr Wigoder. Hewitt New Bridge Street did not carry out any other work for the Company. Legal advice to the Committee has been provided by Nabarro LLP, who are appointed by the Company and also provided legal services to the Company during the year. The legal advice provided to it by Nabarro LLP was discrete and the Committee is satisfied that the services provided did not create any conflict of interest. If a conflict of interest were to arise in the future, the Committee would appoint separate legal advisers from those used by the Company.

Remuneration Policy

The overall remuneration policy is designed to ensure that the executive directors of the Company and other senior managers in the Company are fairly and responsibly rewarded for their individual contribution to the overall performance of the Company, in a manner that ensures that the Company is able to attract, motivate, and retain executives of the quality necessary to ensure the successful management of the Company. The Company's remuneration policy is based on the principle that the fortunes of the directors and senior management are aligned with those of the shareholders, and this is achieved (in the case of the chief executive as a result of his significant shareholding in the Company and (in the case of the chief operating officer, finance director and all other members of the senior management team) by the grant of share options. Changes in the remuneration of the executive directors are decided by the Committee in consultation with the chief executive.

Components of Remuneration

Each of the three executive directors of the Company, Mr Wigoder as chief executive officer, Mr Lindsay as chief operating officer and Mr Houghton as finance director, receives a basic salary.

Mindful of the requirements of the Combined Code and good corporate governance, during the year the Committee started work on the drafting of a new service contract for Mr Wigoder together with a revised remuneration package that includes a bonus element with both short term and long term performance conditions.

Negotiations over the terms of these proposals are continuing and had not been concluded by the financial year end. It is expected that, once agreed, the revised arrangements will be brought into effect, retrospectively, from 1 April 2009. In the meantime, Mr Wigoder has agreed to waive any entitlement to a bonus for the year ended 31 March 2009.

Mr Lindsay's remuneration was last reviewed in March 2008 whilst serving the Company as Commercial Director (which was not a board appointment). Although his remuneration was not revised again at the time of his promotion to the Board as Chief Operating Officer in November 2008, under the terms of the review undertaken in March 2008, Mr Lindsay became entitled to receive a contractually guaranteed bonus of £47,000 of which £16,000 is attributable to the period following his appointment to the Board and it was agreed his annual basic salary would be increased to £182,000 from 1 April 2009. He has not received, nor is contractually entitled to be paid, any other bonus.

Mr Houghton's remuneration was agreed with him when he joined the Company as Head of Finance in September 2008, and has similarly not been reviewed or revised following his appointment to the board as Finance Director in February 2009. Under the terms of his service contract, Mr Houghton is not entitled to receive, and has not been paid, any bonus.

Whilst the RemCo recognises there are, therefore, currently no performance related pay elements in place for either Mr Lindsay or Mr Houghton, the Committee will look to consider the introduction of suitable changes once the revised remuneration arrangements for Mr Wigoder have been finalised.

Each of Mr Wigoder's, Mr Lindsay's and Mr Houghton's service contracts provides for pension contributions equal to 10% of basic salary to be paid by the Company. Mr Wigoder, Mr Lindsay and Mr Houghton were also provided with private health insurance during the year. Each of Mr Lindsay and Mr Houghton has additionally been granted certain share options, the details of which are described later in this report.

The non-executive directors receive fees for their services, the details of which are described below. The level of these fees was unchanged during the year. The policy with regard to fee structure is to reflect time commitment and responsibility of the various roles, although (in the case of the non-independent non-executive directors) their fees are also set after taking into account the size of their shareholdings and the quantum of dividend income received.

Directors' Remuneration

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

	Basic Salary & Fees £'000	Bonus £'000	Pension Contributions £'000	2009 Total £'000	2008 Total £'000
Peter Nutting	15	-	-	15	15
Charles Wigoder	198	-	19	217	207
Andrew Lindsay	46	16	9	71	-
Chris Houghton	15	-	2	17	-
Richard Hateley	189	-	19	208	213
Melvin Lawson	12	-	-	12	12
Richard Michell	12	-	-	12	12
Michael Pavia	20	-	-	20	20
Keith Stella	22	-	-	22	22
	529	16	49	594	501

Mr Hateley ceased to be a director of the Company on 16 February 2009, but remained an employee of the Company under contractual notice until 15 May 2009, and has accordingly continued to receive salary and benefits, amounting to £58,554 in aggregate during that period (in respect of which £25,905 was paid to him during the financial year and is included in the table above).

Share Option plans

The Company has two share option plans. The first is available to employees, and the second is available to Distributors of the Company.

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

As stated in its report last year, the RemCo has revised its policy with respect to the imposition of performance conditions. As a result, reflecting the requirements of the Combined Code and current best practice, except in exceptional circumstances, performance conditions will be imposed on any future grants agreed to be made either to executive directors of the Company or to those senior executives who are not board members but whose status and role can reasonably be regarded as giving them a significant influence over the Company's ability to meet its strategic objectives; the RemCo also determined that it would not seek to impose performance conditions retrospectively, that is to say, to options previously granted or to those contractually promised.

Full details of the share options held or granted to directors during the year are set out in the table below:

	1 April 2008	Granted	31 March 2009	Exercise price per share	Exercisable from	Expiry date
Andrew Lindsay						
30 Aug 2007	75,000	-	75,000	171p	30 Aug 10	29 Aug 17
12 Jun 2008	-	217,400	217,400	330.5p	12 Jun 11	11 Jun 18
Chris Houghton						
10 Dec 2008	-	50,000	50,000	340p	10 Dec 11	9 Dec 18
Richard Hateley						
12 July 2006	50,000	-	50,000	127p	12 Jul 09	11 Jul 13
4 Jan 2007	25,000	-	25,000	199.25p	4 Jan 10	3 Jan 14
30 Aug 2007	25,000	-	25,000	171p	30 Aug 10	29 Aug 17

In accordance with the rules of the share option scheme, all of the share options held by Mr Hateley lapsed when his employment with the Company terminated on 15 May 2009.

In the case of both Andrew Lindsay and Christopher Houghton, all of the options currently held by them were granted pursuant to contractual promises made at the time they originally joined the Company (neither of which was a board appointment) and on terms that performance conditions would not be imposed in respect of these grants. In addition, terms were included in the contract with Mr Lindsay to ensure he would not be financially disadvantaged by the phased granting of his share options. In the light of these original contractual promises and consistent with the policy stated above, the RemCo has considered that it would be inappropriate to impose performance conditions in contravention of the terms contractually agreed, but has stipulated that appropriate performance conditions will be imposed on any later or further grants made to either Mr Lindsay or Mr Houghton subsequent to their appointment to the Board.

Before making future grants of share options with performance conditions, the RemCo will determine, if necessary after taking external advice, the criteria to be applied for the performance conditions, consistent with the requirements of the Combined Code, having regard at the relevant time to the Company's circumstances and its prospects, and prevailing market practice and trends.

It continues to be the view of the committee and of the board that it would not be in the interests of the Company to seek to impose performance conditions on awards made to other, more junior, employees whose individual performance is unlikely to have a direct impact on the long term success or strategic direction of the Company.

The Networkers and Consultants Share Option Plan exists to provide both further incentives and rewards to those Distributors who have been most successful in gathering new customers for the Company. These Distributors, though not employees of the Company, are nevertheless essential to its future successful growth and prosperity, and it is the opinion of the Committee that this Plan is in some cases an important factor in their motivation. As stated, these Distributors are not employees and are not involved of the management of the Company; individually, therefore, none is able to influence the Company's ability to meet its strategic objectives and for this reason it is felt inappropriate to impose any performance conditions on the grant of options made to Distributors under this Plan.

Directors' Contracts of Service

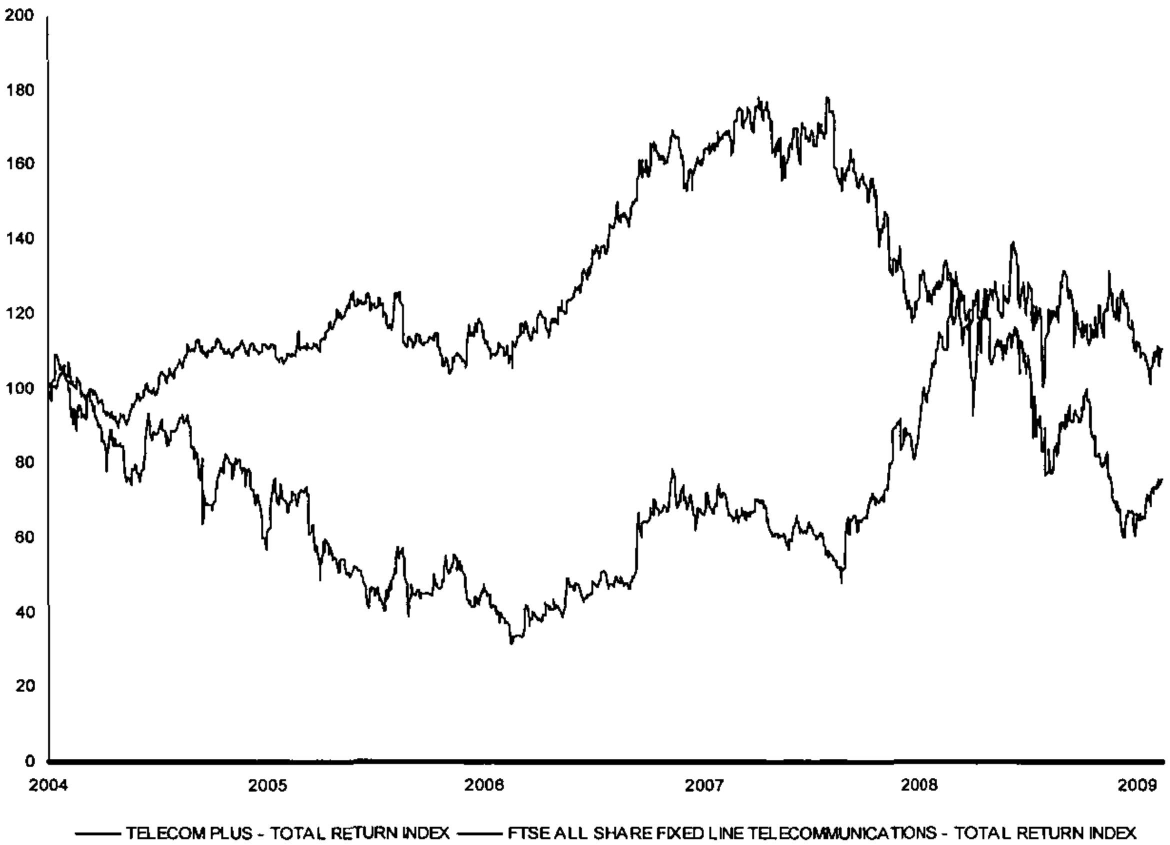
There are Service Contracts or Letters of Appointment for Peter Nutting (4 April 1997), Charles Wigoder (31 March 1998), Andrew Lindsay (25 November 2008), Chris Houghton (16 February 2009), Melvin Lawson (27 September 2006), Richard Michell (1 September 2005), Michael Pavia (13 December 2006), and Keith Stella (revised and restated on 19 March 2008). These provide notice periods of three months on either side for the non-executive directors and the following notice periods for the executive directors: Mr Wigoder twelve months on either side and Mr Lindsay and Mr Houghton each with six months on either side. No contract provides for compensation for loss of office.

Pension Schemes

The Company makes no contributions to the pensions of any current directors except to Mr Wigoder, Mr Lindsay and Mr Houghton, details of which are shown above.

Performance Graph showing Total Shareholder Return

The following graphs show the Company's performance measured by total shareholder return compared with the performance of the FTSE All Share Fixed Line Telecommunications Index for the period from 1 April 2004 to 12 May 2009. The RemCo has selected these indices because they are the most appropriate for this purpose.



Source: Thomson Datastream

Keith Stella
Chairman of the Remuneration Committee
On behalf of the Board
20 May 2009

Nomination Committee Report

The purpose of the Nomination Committee is to make recommendations to the Board on the appointment of new non-executive and executive directors, including making recommendations as to the composition of the Board generally and the balance between executive and non-executive directors. The Committee has not utilised external search consultants during the year.

The Committee met on four occasions during the year ended 31 March 2009. Details of the attendance at Nomination Committee meetings are set out in the Corporate Governance Report.

The Committee's activities during the year covered the internal appointment of two new executive directors to the Board. On each appointment the Committee received a recommendation from the Chief Executive and interviewed each candidate independently of the Chief Executive, together with other board members.

Andrew Lindsay, formerly the Company's Commercial Director, was appointed to the Board as Chief Operating Officer on 25 November 2008. Mr Lindsay's appointment was duly considered by the Nomination Committee and the wider Board and a rigorous appraisal of his suitability for the role was undertaken.

Chris Houghton, formerly the Company's Head of Finance, was appointed to the Board as Finance Director and Company Secretary on 16 February 2009 following Richard Hateley's departure from the Company. Mr Houghton's appointment was similarly considered by the Nomination Committee and the wider Board.

Short biographies of Mr Lindsay and Mr Houghton are set out on page 1 of this annual report.

Michael Pavia
Chairman of the Nomination Committee
On behalf of the Board
20 May 2009

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements, and have elected to prepare the parent company financial statements, in accordance with International Financial Reporting Standards as adopted by the European Union. The financial statements are required to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

The directors confirm, to the best of their knowledge:

(a) that the financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and of the group taken as a whole; and

(b) the management report includes a fair review of the development and performance of the business and the position of the company and the group taken as a whole, together with a description of the principal risks and uncertainties that they face.

Independent Auditors' Report to the Members of Telecom plus PLC

We have audited the group and parent company financial statements ('the financial statements') of Telecom Plus PLC for the year ended 31 March 2009 which comprise the consolidated income statement and the consolidated and company balance sheets, statement of cash flows and statements of recognised income and expenses and the related notes. The financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether, in addition, the group financial statements have been properly prepared in accordance with article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. The information in the directors' report includes that specific information presented in the chairman's statement, business review and financial review that is cross referenced from the business review section of the directors' report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report, the unaudited part of the directors' remuneration report, the chairman's statement, the business review, the finance review, the nomination committee report and the corporate governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2009 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2009;
- the group financial statements have been properly prepared in accordance with article 4 of the IAS Regulation;
- the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

PKF (UK) LLP

PKF (UK) LLP
Registered Auditors
London, UK
20 May 2009

Consolidated income statement

For the year ended 31 March 2009

	Note	**2009** £'000	**2008** £'000
Revenue	1	278,342	186,458
Cost of sales		226,581	150,478
Gross profit		51,761	35,980
Distribution expenses		11,745	8,566
Administrative expenses		20,107	13,454
Other income		73	-
Operating profit	1, 2	19,982	13,960
Financial income		1,647	1,865
Financial expenses		26	2
Net financial income	4	1,621	1,863
Share of profit of associate		888	939
Profit before taxation		22,491	16,762
Taxation	5	(6,307)	(4,808)
Profit for the year		16,184	11,954
Basic earnings per share	14	24.2p	17.7p
Diluted earnings per share	14	23.9p	17.6p

Statement of recognised income and expense

For the year ended 31 March 2009

		Group		Company	
	Note	2009	2008	2009	2008
		£'000	£'000	£'000	£'000
Profit for the year		16,184	11,954	14,276	10,805
Deferred tax on share options recognised directly in equity	5, 9	22	211	22	211
Total recognised income and expense for the year		16,206	12,165	14,298	11,016

Consolidated and company balance sheets
As at 31 March 2009

	Note	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Assets					
Non-current assets					
Property, plant and equipment	6	11,470	866	11,470	866
Goodwill and intangible assets	7	3,743	3,749	1	7
Investments in associates	8	2,703	1,815	1,047	1,047
Deferred tax	9	2,036	1,361	2,008	1,350
Other receivables		1,697	1,036	1,698	1,035
Total non-current assets		21,649	8,827	16,224	4,305
Current assets					
Inventories	10	357	175	357	175
Trade and other receivables	11	5,071	5,126	4,995	5,659
Prepayments and accrued income	11	51,120	25,478	49,808	24,411
Cash and cash equivalents		25,357	30,331	25,354	30,329
Total current assets		81,905	61,110	80,514	60,574
Total assets		103,554	69,937	96,738	64,879
Current liabilities					
Trade and other payables	12	16,322	6,075	15,751	5,439
Current tax payable		3,944	3,019	3,458	2,723
Accrued expenses and deferred income		38,696	28,409	37,935	27,373
Total current liabilities		58,962	37,503	57,144	35,535
Total assets less total liabilities		44,592	32,434	39,594	29,344
Equity					
Share capital	13	3,452	3,452	3,452	3,452
Share premium	13	1,992	2	1,992	2
Treasury shares	13	(1,457)	(5,286)	(1,457)	(5,286)
Retained earnings	13	40,605	34,266	35,607	31,176
Total equity	13	44,592	32,434	39,594	29,344

These accounts were approved and authorised for issue by the Board on 20 May 2009

Charles Wigoder Director

Chris Houghton Director

Statement of cash flows

For the year ended 31 March 2009

	Group		Company	
	2009	**2008**	**2009**	**2008**
	£'000	£'000	£'000	£'000
Operating activities				
Operating profit	19,982	13,960	18,607	12,918
Depreciation of property, plant and equipment	579	480	579	480
Amortisation of intangible assets	6	12	6	12
Distribution from associated company	-	546	-	546
Profit on disposal of property, plant and equipment	-	(1)	-	(1)
(Increase) / Decrease in inventories	(182)	27	(182)	27
(Increase) / Decrease in trade and other receivables	(26,248)	1,127	(26,078)	1,272
Increase in trade and other payables	20,534	3,065	20,874	3,179
Repayment of inter-company receivable	-	-	682	670
Costs attributed to the issue of share options	454	54	454	54
Corporation tax paid	(6,030)	(4,009)	(5,848)	(3,893)
Net cash flow from operating activities	9,095	15,261	9,094	15,264
Investing activities				
Purchase of property, plant and equipment	(11,183)	(464)	(11,183)	(464)
Sale of property, plant and equipment	-	3	-	3
Cash flow from investing activities	(11,183)	(461)	(11,183)	(461)
Financing activities				
Dividends paid	(9,988)	(6,815)	(9,988)	(6,815)
Interest received	1,647	1,865	1,647	1,865
Interest paid	(26)	(2)	(26)	(2)
Issue of ordinary shares	-	122	-	122
Purchase of own shares	-	(5,659)	-	(5,659)
Sale of treasury shares	5,481	219	5,481	219
Cash flow from financing activities	(2,886)	(10,270)	(2,886)	(10,270)
(Decrease)/Increase in cash and cash equivalents	(4,974)	4,530	(4,975)	4,533
Cash and cash equivalents at the beginning of the year	30,331	25,801	30,329	25,796
Cash and cash equivalents at the end of the year	25,357	30,331	25,354	30,329

Notes to the consolidated financial statements

Significant accounting policies

Telecom *plus* PLC (the "Company") is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 March 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The financial statements were authorised for issue by the directors on 20 May 2009.

(a) Statement of compliance
The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations as endorsed by the EU and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

(b) Basis of preparation
The accounts are prepared on the historical cost basis.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The most significant assumptions in the financial statements relate to the provisions for delinquent customers, which is referred to in the Business Review under principal risks. These assumptions have been rigorously reviewed by the Audit Committee and the provision included in Accrued expenses and deferred income is £2.1m (2008: £2.0m).

By virtue of section 230 of the Companies Act 1985 the Company is exempt from presenting a profit and loss account.

(c) Basis of consolidation
(i) Subsidiaries
The Group's financial statements consolidate the financial statements of Telecom *plus* PLC and its subsidiary. Subsidiaries are consolidated from the date on which control transfers to the Group and are included until the date on which the Group ceases to control them. Transactions between Group companies are eliminated on consolidation.

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

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual

Notes to the consolidated financial statements

Significant accounting policies (continued)

investments. Losses of an associate in excess of the Group's interest in that associate are not recognised.

(d) Business combinations
The acquisition of subsidiaries is accounted for using the purchase method. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. Goodwill is reviewed for impairment at least annually and any impairment is recognised immediately in the income statement. Any deficiency of the cost of acquisition below the fair value of the identifiable net assets acquired is credited to the income statement on acquisition.

(e) Revenue
Revenue is the value of goods and services supplied to external customers excluding value added tax and other sales related taxes. Transactions are recorded as sales when the delivery of products or performance of services takes place in accordance with the contract terms of sale.

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

(g) Leases
Payments on operating leases are charged to the income statement on a straight line basis over the lease term.

(h) Taxation
The tax charge for the year comprises current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

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

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

Notes to the consolidated financial statements

Significant accounting policies (continued)

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

Freehold buildings	50 years
Plant and machinery	15 years
Fixtures and fittings	7 years
Leasehold improvements	3 years
Computer and office equipment	3 to 5 years
Motor vehicles	4 years

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

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

(ii) Other intangible assets
The Group's other intangible asset relates to a source code license for the software which is used by our billing and customer management systems. It is stated at cost less a provision for amortisation, which has been calculated so as to write off the cost of the asset in equal instalments over five years.

The carrying amount of the intangible assets is reviewed for impairment when there is an indication that it may be impaired.

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

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

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

Notes to the consolidated financial statements

Significant accounting policies (continued)

(l) Investments
In the Company's accounts, investments in subsidiary and associated undertakings are initially stated at cost. Provision is made for any impairment in the value of these investments.

(m) Inventories
Inventories are valued at the lower of cost, including related overheads, and net realisable value. Cost is measured on a first in, first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(n) Trade receivables
Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(o) Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and deposits with banks.

(p) Trade payables
Trade payables are stated at their nominal value.

(q) Research and development
Research costs are written off as incurred. Development costs incurred in the development of new or substantially improved products and processes are capitalised as intangible assets if it is probable that the expenditure will generate future economic benefits and costs can be measured reliably.

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

(s) Segmental reporting
A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary reporting format is business segments.

(t) Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Notes to the consolidated financial statements

Significant accounting policies (continued)

(u) Pensions
The Group makes contributions to certain employees' personal pension plans. These are charged to the income statement in the year in which they become payable.

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

(w) New standards issued but not yet effective
The Group has not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that adoption of standards or interpretations which have been issued by the International Accounting Standards Board and endorsed by the EU, but have not been adopted, will have a material impact on the financial statements. Of these standards, IFRS 8 "Operating segments" and IAS 1 "Presentation of financial statements" will impact only on the presentation of the financial statements. IAS 27 "Consolidated and separate financial statements" and IFRS 3 "Business combinations" will only have an impact on future business combinations.

Notes to the consolidated financial statements

1. Segment reporting

For management reporting purposes, the Group is currently organised into two operating divisions:

- Customer Management
- Customer Acquisition

These divisions are the basis on which the Group reports its primary segmental information.

Business segments

	Year ended 31 March 2009			Year ended 31 March 2008		
	Customer Management	**Customer Acquisition**	**Total**	**Customer Management**	**Customer Acquisition**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue:						
External sales	274,012	4,330	278,342	184,145	2,313	186,458
Segment result	24,957	(4,975)	19,982	17,566	(3,606)	13,960
Operating profit			19,982			13,960
Net financing income			1,621			1,863
Share of profit of associates			888			939
Profit before taxation			22,491			16,762
Taxation			(6,307)			(4,808)
Profit for the year			16,184			11,954
Segment assets	98,087	2,764	100,851	66,595	1,527	68,122
Investment in equity method associates	2,703	-	2,703	1,815	-	1,815
Total assets	100,790	2,764	103,554	68,410	1,527	69,937
Segment liabilities	(58,736)	(226)	(58,962)	(37,217)	(286)	(37,503)
Net assets			44,592			32,434
Capital expenditure	11,009	174	11,183	458	6	464
Depreciation and amortisation	576	9	585	486	6	492

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

All turnover is derived in the United Kingdom and substantially arises from the provision of services.

Notes to the consolidated financial statements

2. Operating profit

Operating profit is stated after charging:

	2009 £'000	2008 £'000
Depreciation and amortisation	585	492
Profit on disposal of fixed assets	-	(1)
Operating lease rentals - land and buildings	279	246
Auditors' remuneration - audit of the Company	50	49
- audit of the subsidiary of the Company	12	11
- taxation services	53	16
- other services	-	11
Inventories expensed	2,652	1,786
Inventory write-down expense	11	26
Receivables and accrued income impairment cost	7,229	3,098

3. Personnel expenses

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
The total charge in the income statement comprised the following:				
Wages and salaries	10,001	7,967	9,725	7,692
Social security costs	990	788	958	764
Pension contributions	216	155	183	147
Share based payments	348	26	348	26
	11,555	8,936	11,214	8,629

	Number	Number	Number	Number
Average number employed by the Group during the year (excluding directors)				
Customer Acquisition	66	19	62	14
Customer Management	297	271	297	271
	363	290	359	285

	Group	
	2009 £'000	2008 £'000
The aggregate remuneration of the directors (included above) was as follows:		
Salaries, fees and other benefits	545	463
Pension contributions	49	38
	594	501
Share based payments	100	24
	694	525

Notes to the consolidated financial statements

The emoluments of the highest paid director were £197,684 (2008: £193,750) and pension costs were £19,523 (2008: £19,375). Four directors had contributions paid to their personal pension schemes.

4. Net financial income

	2009	2008
	£'000	£'000
Interest income	1,647	1,865
Interest expense		
Bank interest	(26)	(2)
Net financial income	1,621	1,863

5. Taxation

(i) Recognised in the income statement

	2009	2008
	£'000	£'000
Current tax charge/(credit)		
Current year	7,042	5,070
Adjustments for prior years	(82)	(16)
	6,960	5,054
Deferred tax credit		
Accelerated/(Decelerated) capital allowances	24	(27)
Other temporary differences	(986)	(335)
Deduction in respect of share options	(43)	(38)
Reduction in rate of future taxes	-	97
Adjustment for prior years	352	57
	(653)	(246)
Total income tax charge	6,307	4,808

Notes to the consolidated financial statements

5. Taxation (continued)

(ii) Reconciliation of total tax charge

	2009	2008
	£'000	£'000
Profit before tax	22,491	16,762
Corporation tax using the UK corporation tax rate of 28% (2008:30%)	6,297	5,028
Expenses not deductible for taxation purposes	22	2
Deduction in respect of share options exercised	(33)	(78)
Share of associate's tax charge	(249)	(282)
Reduction in rate of future taxes	-	97
Adjustments in respect of prior years - current tax	(82)	(16)
- deferred tax	352	57
	6,307	4,808

(iii) Tax on items charged to equity

	2009	2008
	£'000	£'000
Deferred tax credit on share options	22	211

Notes to the consolidated financial statements

6. Property, plant and equipment

	Freehold land and buildings	Plant and Machinery	Fixtures and Fittings	Leasehold improvements	Computer and office equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Group and Company							
2009							
Cost							
At 1 April 2008	150	-	-	378	2,742	221	3,491
Additions	9,019	652	617	170	725	-	11,183
At 31 March 2009	9,169	652	617	548	3,467	221	14,674
Depreciation							
At 1 April 2008	23	-	-	227	2,208	167	2,625
Depreciation charge for the year	64	-	-	81	412	22	579
At 31 March 2009	87	-	-	308	2,620	189	3,204
Net book amounts							
At 31 March 2009	9,082	652	617	240	847	32	11,470
At 31 March 2008	127	-	-	151	534	54	866
2008							
Cost							
At 1 April 2007	150	-	-	214	2,482	190	3,036
Additions	-	-	-	164	260	40	464
Disposals	-	-	-	-	-	(9)	(9)
At 31 March 2008	150	-	-	378	2,742	221	3,491
Depreciation							
At 1 April 2007	21	-	-	172	1,810	149	2,152
Depreciation charge for the year	2	-	-	55	398	25	480
Disposals	-	-	-	-	-	(7)	(7)
At 31 March 2008	23	-	-	227	2,208	167	2,625
Net book amounts							
At 31 March 2008	127	-	-	151	534	54	866
At 31 March 2007	129	-	-	42	672	41	884

Included in plant and machinery, fixtures and fittings and computer and office equipment are amounts relating to the refurbishment costs of the Company's new freehold office building. At the year end these refurbishments were still ongoing and the building had not been occupied to any significant extent by the Company. On this basis, no depreciation has been charged on these assets in the year to 31 March 2009.

Notes to the consolidated financial statements

7. Goodwill and intangible assets

	Source Code License £'000	Goodwill £'000	Total £'000
Group			
2009			
Cost			
At 1 April 2008 and 31 March 2009	839	4,558	5,397
Amortisation			
At 1 April 2008	832	816	1,648
Amortisation for the year	6	-	6
At 31 March 2009	838	816	1,654
Carrying amounts			
At 31 March 2009	1	3,742	3,743
At 31 March 2008	7	3,742	3,749
2008			
Cost			
At 1 April 2007 and 31 March 2008	839	4,558	5,397
Amortisation			
At 1 April 2007	820	816	1,636
Amortisation for the year	12	-	12
At 31 March 2008	832	816	1,648
Carrying amounts			
At 31 March 2008	7	3,742	3,749
At 31 March 2007	19	3,742	3,761

Goodwill is attributable wholly to the Customer Management business segment.

In accordance with IAS36 "Impairment of Assets", the Group regularly monitors the carrying amount of its goodwill. A review was undertaken at 31 March 2009 to assess whether the carrying amount of assets was supported by their value in use determined by the net present value of the future cash flows derived from assets using cash flow projections based on current levels of profitability, with no assumed growth. A pre-tax discount rate of 10% was used.

The result of the review undertaken at 31 March 2009 indicated that no impairment is necessary.

The amortisation for the year of the source code for the billing and customer management systems is included within the charge for administrative expenses in the income statement.

Company

The Company's intangible assets relate solely to the source code detailed above.

Notes to the consolidated financial statements

8. Investments

Fixed asset investments

	2009	2008
	£'000	£'000
Associated undertaking		
Cost less impairment		
At 1 April	1,047	1,047
Additions	-	-
At 31 March	1,047	1,047
Share of profit/(loss)		
At 1 April	768	375
Share of profit after taxation for the year	888	939
Final dividend for the year	-	(546)
At 31 March	1,656	768
Carrying amounts		
At 31 March	2,703	1,815

Notes to the consolidated financial statements

8. Investments (continued)

Fixed asset investments (continued)

Associated company

The investment in the associate represents the cost of purchasing a 20% (2008: 20%) equity interest in the ordinary share capital of Oxford Power Holdings Limited (OPH), together with the Group's share of retained reserves.

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

	2009	2008
	£'000	£'000
Total assets	33,853	24,302
Total liabilities	23,184	18,218
Net assets	10,669	6,084
Income	127,463	91,827
Expenses	121,377	85,152
Profit before tax	6,086	6,675

Investment in subsidiary companies

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

Notes to the consolidated financial statements

9. Deferred tax asset

The deferred tax asset recognised in the financial statements is as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	£'000	£'000	£'000	£'000
Tax effect of temporary differences:				
Excess of qualifying depreciation over tax allowances	116	140	111	135
Other short term temporary differences	1,547	913	1,524	907
Employee benefits in excess of amount expensed	373	308	373	308
	2,036	1,361	2,008	1,350

	Group		Company	
	2009	**2008**	**2009**	**2008**
	£'000	£'000	£'000	£'000
At 1 April	1,361	904	1,350	890
Credited to the income statement	653	246	636	249
Taken to equity	22	211	22	211
At 31 March	2,036	1,361	2,008	1,350

The Group and Company have recognised a deferred tax asset, in the expectation of profitability in the coming year.

10. Inventories

	Group		Company	
	2009	**2008**	**2009**	**2008**
	£'000	£'000	£'000	£'000
Inventories comprise the following:				
Customer equipment	357	175	357	175
	357	175	357	175

Notes to the consolidated financial statements

11. Receivables and accrued income

	Group		Company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Trade receivables	1,848	1,814	1,850	1,747
Other receivables	3,223	2,766	3,145	2,684
Final dividend due from associate company	-	546	-	546
Amount owed by subsidiary undertaking	-	-	-	682
Trade and other receivables	5,071	5,126	4,995	5,659
Accrued income	50,140	24,755	49,093	23,765
Prepayments	980	723	715	646
Accrued income and prepayments	51,120	25,478	49,808	24,411
Trade and other receivables	5,071	5,126	4,995	5,659
Accrued income	50,140	24,755	49,093	23,765
Receivables and accrued income (net)	55,211	29,881	54,088	29,424

Included in Other receivables are amounts of £1,330,000 (2008: £640,000) in respect of the unamortised costs of laptops supplied to customers on minimum term contracts.

Prepayments and accrued income includes services provided but not billed of £51,142,000, (2008: £25,117,000) representing March revenue invoiced in April of £27,953,000, (2008: £15,992,000) and the energy Budget Plan gross debtor balance of £23,189,000, (2008: £9,125,000). Offset against this figure, is an allowance for future credit losses of £1,002,000 (2008: £362,000).

Allowance for credit losses on receivables and accrued income

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Allowances as at 1 April	4,223	2,894	3,952	2,475
Additions - charged to income statement	7,229	3,098	6,707	3,038
Allowances used	(3,020)	(1,769)	(3,031)	(1,561)
Allowances as at 31 March	8,432	4,223	7,628	3,952

Analysis of receivables and accrued income

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Receivables and accrued income (gross)	63,643	34,104	61,716	33,376
Allowance for credit losses	8,432	4,223	7,628	3,952
Receivables and accrued income (net)	55,211	29,881	54,088	29,424

The above analysis has been restated for the year ended 31 March 2008 to include allowances for credit losses made against accrued income.

Notes to the consolidated financial statements

Aged analysis of trade receivables

	Not impaired but past due by the following amounts					Total
	30 days or less	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 120 days	More than 120 days	carrying amount
	£000	£000	£000	£000	£000	£000
2009 Trade receivables	1,530	162	124	26	6	1,848
2008 Trade receivables	1,644	74	56	24	16	1,814

12. Trade and other payables

	Group		Company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Trade payables	14,848	4,833	14,627	4,594
Other taxation and social security	1,474	1,242	1,124	845
	16,322	6,075	15,751	5,439

Notes to the consolidated financial statements

13. Capital and reserves

Reconciliation of movement in capital and reserves

Group	Ordinary shares '000	Share capital £'000	Share premium £'000	Treasury shares £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2007	68,929	3,446	19,444	-	9,458	32,348
Profit for the year ended 31 March 2008					11,954	11,954
Deferred tax on share options					211	211
					12,165	12,165
Dividends					(6,815)	(6,815)
Issue of share capital	103	6	116			122
Cancellation of share premium			(19,560)		19,560	-
Purchase of treasury shares				(5,659)		(5,659)
Sale of treasury shares			2	373	(156)	219
Credit arising on share options					54	54
Balance at 31 March 2008	69,032	3,452	2	(5,286)	34,266	32,434
Profit for the year ended 31 March 2009					16,184	16,184
Deferred tax on share options					22	22
					16,206	16,206
Dividends					(9,988)	(9,988)
Issue of share capital	-	-	-			-
Purchase of treasury shares				-		-
Sale of treasury shares			1,990	3,829	(333)	5,486
Credit arising on share options					454	454
Balance at 31 March 2009	69,032	3,452	1,992	(1,457)	40,605	44,592

13. Capital and reserves (continued)

Reconciliation of movement in capital and reserves (continued)

Company	Ordinary shares '000	Share capital £'000	Share premium £'000	Treasury shares £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2007	68,929	3,446	19,444	-	7,517	30,407
Profit for the year ended 31 March 2008					10,805	10,805
Deferred tax on share options					211	211
					11,016	11,016
Dividends					(6,815)	(6,815)
Issue of share capital	103	6	116			122
Cancellation of share premium			(19,560)		19,560	-
Purchase of treasury shares				(5,659)		(5,659)
Sale of treasury shares			2	373	(156)	219
Credit arising on share options					54	54
Balance at 31 March 2008	69,032	3,452	2	(5,286)	31,176	29,344
Profit for the year ended 31 March 2009					14,276	14,276
Deferred tax on share options					22	22
					14,298	14,298
Dividends					(9,988)	(9,988)
Issue of share capital	-	-	-			-
Purchase of treasury shares				-		-
Sale of treasury shares			1,990	3,829	(333)	5,486
Credit arising on share options					454	454
Balance at 31 March 2009	69,032	3,452	1,992	(1,457)	35,607	39,594

Notes to the consolidated financial statements

13. Capital and reserves (continued)

Share capital and share premium

	2009 £'000	2008 £'000
Issued share capital Ordinary shares of 5p each		
Authorised - 80,000,000 (2008: 80,000,000)	4,000	4,000
Allotted, called up and fully paid - 69,031,863 (2008: 69,031,863)	3,452	3,452

At the year end the Company's share price was 303p and the range during the financial year was 273p to 359p.

On 6 February 2009, 1,500,000 shares held in treasury were sold at a price of 315 pence per share in response to interest from institutional investors. The aggregate consideration from the sale was £4.7m.

By 31 March 2009, 790,225 shares held in treasury had been used to satisfy the exercise of options under the Company's two share option plans.

At 31 March 2009, the Company had 69,031,863 (2008: 69,031,863) shares in issue including 793,775 (2008: 2,879,868) shares held in treasury. The total number of voting rights of 5p ordinary shares in the Company was 68,238,088 (2008: 66,151,995). Since the year end, a further 20,307 treasury shares have been used to satisfy the exercise of Distributor share options, increasing the total number of voting rights of 5p ordinary shares in the Company to 68,258,395.

Notes to the consolidated financial statements

13. Capital and reserves (continued)

Capital Management

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

The group has no debt, and is not subject to any externally imposed capital requirements. Consequently the capital structure of the business consists of its share capital and retained earnings.

Total shareholder equity at 31 March 2009 was £44.6 million (2008: £32.4 million).

The group's capital management strategy is to retain sufficient working capital for day to day operating requirements and to ensure sufficient funding is available to support the provision of budget plans for energy customers. During the year the Company sold a total of 1,500,000 treasury shares (2008: Nil) for £4.7 million total consideration.

Dividends

	2009	**2008**
	£'000	£'000
Prior year final paid 10p (2008: 6p) per share	6,656	4,142
Interim paid 5p (2008: 4p) per share	3,332	2,673

The Directors have proposed a final dividend of 12.5p per ordinary share totalling £8.5 million, payable on 7 August 2009, to shareholders on the register at the close of business on 10 July 2009. In accordance with the Group's accounting policies the dividend has not been included as a liability as at 31 March 2009.

Notes to the consolidated financial statements

14. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 March 2009 was based on the profit attributable to ordinary shareholders of £16,184,000 (2008: £11,954,000) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2009 of 66,757,038 (2008: 67,407,883).

	2009	2008
Basic earnings per share	24.2p	17.7p
Diluted earnings per share	23.9p	17.6p

Diluted earnings per share

Diluted earnings per share assumes dilutive options have been converted into ordinary shares. The calculations are as follows:

	2009		2008	
	Profit £'000	Number of shares '000	Profit £'000	Number of shares '000
Basic earnings	16,184	66,757	11,954	67,408
Dilutive effects – Options		827		353
Diluted earnings	16,184	67,584	11,954	67,761

The share options may be dilutive in future periods.

15. Commitments

Operating lease commitments

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

	Group		Company	
	2009	2008	2009	2008
Amounts payable:	£'000	£'000	£'000	£'000
Less than one year	309	228	309	228
Between one and five years	1,225	862	1,225	862
More than five years	243	398	243	398
	1,777	1,488	1,777	1,488

The principal lease arrangements relate to office premises, which primarily terminate in 2014.

Capital commitments

At 31 March 2009 the Company had capital commitments of £793,000 (£nil: 2008).

Notes to the consolidated financial statements

16. Share-based payments

The Company has two share option plans, one of which is available to employees, the other to Distributors of the Company.

All employees are issued with options over shares in the Company, the number of shares being related to their seniority and length of service ("The Telecom *plus* PLC 2007 Employee Share Option Plan").

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

Share based expenses have been charged in the consolidated income statement as follows:

	2009	2008
	£'000	£'000
Distribution expenses	106	28
Administrative expenses	348	26
Total charge	454	54

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

	2009		2008	
	Number	Weighted average exercise price	Number	Weighted average exercise price
At 1 April	2,761,495	177p	3,039,799	182p
Options granted	643,400	335p	716,500	177p
Options exercised	(699,337)	195p	(361,731)	130p
Options lapsed/expired	(166,528)	170p	(633,073)	230p
At 31 March	2,539,030	221p	2,761,495	177p

The weighted average share price at the date of exercise for the options exercised during the year was 310p.

Notes to the consolidated financial statements

16. Share-based payments (continued)

During the year ended 31 March 2009, the Group issued share options to employees and Distributors on three occasions as set out below.

	2007 Employee Share Option Plan	2007 Networkers and Consultants Share Option Plan	2007 Employee Share Option Plan
Date of grant	12/06/08	10/12/08	10/12/08
Number of options originally granted	330,400	86,000	227,000
Contractual life	10 years	10 years	10 years
Exercise price (pence)	330.5	340	340
Share price at date of grant (pence)	330.5	340	340
Number of employees / Distributors	38	22	92
Expected volatility	47.16%	54.02%	54.02%
Expected option life	10 years	10 years	10 years
Risk free rate	5.00%	2.00%	2.00%
Expected dividend yield	4.24%	5.15%	5.15%
Fair value per option (pence)	121p	122p	122p

During the previous year ended 31 March 2008, the Group issued share options to employees on three occasions as set out below.

	2007 Employee Share Option Plan	2007 Networkers and Consultants Share Option Plan	2007 Employee Share Option Plan
Date of grant	30/08/07	30/08/07	17/01/08
Number of options originally granted	470,500	84,000	177,500
Contractual life	10 years	10 years	10 years
Exercise price (pence)	171	171	198
Share price at date of grant (pence)	171	171	198
Number of employees	92	13	59
Expected volatility	46.95%	46.95%	45.34%
Expected option life	10 years	10 years	10 years
Risk free rate	5.75%	5.75%	5.50%
Expected dividend yield	4.68%	4.68%	5.05%
Fair value per option (pence)	58.0	58.0	63.8

The Group has used the Cox, Ross and Rubenstein Binomial Tree model to value its share options, with no vesting conditions other than time. The expected volatility for the share option arrangements is based on historical volatility determined by the analysis of daily share price movements over the past 12 months.

Notes to the consolidated financial statements

16. Share-based payments (continued)

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

	Number 1 April 2008	Number 31 March 2009	Exercise price per share	Exercisable from	Expiry date
2007 Networkers and Consultants Share Option Plan					
1 Jul 2001	224,633	-	120p	1 Jul 2004	30 Jun 2008
25 Jun 2002	20,000	10,000	106.5p	25 Jun 2006	24 Jun 2009
24 Jun 2003	542,314	322,576	192.5p	24 Jun 2006	23 Jun 2010
15 Jul 2004	155,000	129,000	284p	15 Jul 2007	14 Jul 2011
27 Jan 2005	26,000	26,000	251.5p	27 Jan 2008	26 Jan 2012
17 Feb 2006	285,548	260,804	162p	17 Feb 2009	16 Feb 2013
30 Aug 2007	84,000	84,000	171p	30 Aug 2010	29 Aug 2017
10 Dec 2008	-	86,000	340p	10 Dec 2011	09 Dec 2018
	1,337,495	918,380			
2007 Employee Share Option Plan					
25 Jun 2002	62,500	30,750	106.5p	25 Jun 2005	24 Jun 2009
10 Dec 2002	130,500	3,500	140p	10 Dec 2005	9 Dec 2009
20 Jan 2003	3,000	-	147.5p	20 Jan 2006	19 Jan 2010
7 Jul 2003	55,000	19,500	201p	7 Jul 2006	6 Jul 2010
5 Jan 2004	6,000	6,000	375p	5 Jan 2007	4 Jan 2011
14 Jul 2004	31,500	16,000	284p	14 Jul 2007	13 Jul 2011
27 Jan 2005	26,500	6,000	251.5p	27 Jan 2008	26 Jan 2012
13 Jul 2005	78,500	31,000	168p	13 Jul 2008	12 Jul 2012
17 Feb 2006	89,500	74,000	162p	17 Feb 2009	16 Feb 2013
12 Jul 2006	165,000	159,500	127p	12 Jul 2009	11 Jul 2013
4 Jan 2007	145,000	127,000	199.25p	4 Jan 2010	3 Jan 2014
30 Aug 2007	469,000	450,500	171p	30 Aug 2010	29 Aug 2017
17 Jan 2008	162,000	139,500	198p	17 Jan 2011	16 Jan 2018
12 Jun 2008	-	330,400	330.5p	12 Jun 2011	11 Jun 2018
10 Dec 2008	-	227,000	340p	10 Dec 2011	09 Dec 2018
	1,424,000	1,620,650			
	2,761,495	2,539,030			
Weighted average exercise price	177.0p	221.3p			

At 31 March 2009 935,130 share options were exercisable (2008: 1,282,947) at a weighted average exercise price of 194p (2008: 185p). The average remaining contractual life of the outstanding options was 6.0 years at 31 March 2009 (2008: 4.8 years).

Notes to the consolidated financial statements

17. Derivatives and financial instruments

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

Carrying amounts of financial instruments

All financial assets, which include cash and trade and other receivables and accrued income, are classified as loans and receivables with a total value for the Group of £80,568,000 (2008: £60,212,000) and for the Company of £79,442,000 (2008: £59,753,000). All financial liabilities, which include trade and other payables and accrued expenditure, are held at amortised cost with a total value for the Group of £57,334,000 (2008: £35,507,000) and for the Company £55,516,000 (2008: £33,539,000).

Credit risk

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

The Company has a universal supply obligation in relation to the provision of energy to domestic customers. This means that although the Company is entitled to request a reasonable deposit from a potential new customer who is not considered credit worthy, the Company is obliged to supply domestic energy to anyone who submits a properly completed application form. Where such customers subsequently fail to pay for the energy they have used ("delinquent customers"), there is likely to be a considerable delay before the Company is able to eliminate its exposure to future bad debt from them by either installing a pre-payment meter or disconnecting their supply, and the costs associated with preventing such delinquent customers from increasing their indebtedness are not always recoverable. The provision for delinquent customers included in accrued expenses and deferred income is £2.1m (2008: £2.0m).

The maximum credit risk for the Group is £80,568,000 (2008: £60,212,000) and for the Company £79,442,000 (2008: £59,753,000).

Interest rate risk

The Group finances its operations primarily through the issue of equity shares and from cash generated and retained within the business. Cash surpluses are placed on deposit with Barclays Bank plc at money market rates to maximise returns. The Group does not currently require any external loan funding.

The Group's profit and equity for the current year will not be significantly affected by changes in the UK base rate of +/- 1% from current levels, due to the policy of placing funds on fixed rate deposit for terms of up to one year.

Notes to the consolidated financial statements

17. Derivatives and financial instruments (continued)

Commodity price risk

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

Liquidity risk

The Group's treasury management policies are designed to ensure continuity of funding. Generally the operations are strongly cash generating and the Group had significant surplus cash at the year end.

Foreign currency risk

The Group does not have any foreign currency exposure.

Interest rate and currency profile of financial assets and liabilities

All financial assets and liabilities are denominated in sterling. Receivables due after one year comprise £1,698,000 (2008: £1,035,000) due from employees and Distributors which earns interest at variable rates above Base Rate.

Borrowing facilities

At 31 March 2009, the Group had no committed bank borrowing facilities (2008: nil) and had a facility of £40,000,000 (2008: £32,000,000) for Bonds, Guarantees and/or Indemnities. Subsequent to the year end, Barclays Bank plc have offered to increase the facility for Bonds, Guarantees and/or Indemnities up to a maximum of £62,000,000 for the period until 30 June 2010, and to provide an overdraft facility of up to £5,000,000 and a money market loan of up to £10,000,000. These facilities are secured by fixed and floating charges over the assets of the Company and through a cross guarantee with the Company's subsidiary TML.

Fair values

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

Notes to the consolidated financial statements

18. Related parties

Identity of related parties

The Group has a related party relationship with its subsidiary (see note 8), associate (see note 8) and with its directors and executive officers.

Transactions with key management personnel

Directors of the Company and their immediate relatives control 28.79% of the voting shares of the Company.

During the year, the Company acquired goods and services worth approximately £92,000 (2008: £20,000) from companies in which directors have a beneficial interest.

Other related party transactions

Associates

During the year ended 31 March 2009, the associate supplied goods to the Group in the amount of £386,000 (2008: £325,000) and at 31 March 2009 the associate was owed by the Group £80,000 (2008 owed by the group: £33,000). Transactions with the associate are priced on an arm's length basis. Dividends received during the year from the associate amounted to £nil (2008: £545,510) relating to the financial year to 31 March 2008.

Subsidiary company

During the year ended 31 March 2009, the subsidiary purchased goods and services from the Company in the amount of £7,677,000 (2008: £5,781,000).