

**Company number 3263464**

**Telecom Plus PLC**  
**Report and Accounts**  
**Year ended 31 March 2021**

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## Financial and Operating Highlights

- Revenue of £861.2 million (2020: £875.8m)
- Adjusted pre-tax profit\* of £56.1 million (2020: £60.8m)
- Statutory pre-tax profit of £43.5 million (2020: £48.1m)
- Adjusted EPS\* of 57.4p (2020: 61.8p)
- Statutory EPS of 41.5p (2020: 45.9p)
- Full year dividend maintained at 57p
- Continued growth in both customers and Partners
- Number of services supplied up 2.5%
- Resilient performance across all aspects of the business despite covid challenges
- Good progress in digital transformation project
- Which? Utilities Brand of the Year 2020

\* Adjusted pre-tax profit (£56.1m) and Adjusted EPS exclude share incentive scheme charges (£1.4m) and amortisation of the energy supply contract intangible asset (£11.2m). The reconciliation for adjusted EPS is set out in note 18 of the financial statements.

## **Our Services**

Unlike our competitors, we're not an energy company, a broadband company, or a mobile company. We're the UK's only multiservice provider.

We save our customers time and money by providing all their home services in one:

- One bill, with a promise of great value.
- One number, whatever their query.
- One account with a single password for all their services.

So customers can switch to UW, be sure of great value, and never have to think about their utilities again.

### *Energy*

Consistently fair prices which we guarantee will always be lower than the fair price set by Ofgem.

### *Broadband*

Super-fast broadband and outstanding technical support.

### *Mobile*

Market-leading tariffs, all the latest handsets and no in-contract price rises.

### *Insurance*

Top-rated by Defaqto and Moneyfacts, always the best premium from our panel of insurers, and monthly payments at no extra charge.

## **Our Approach**

### *Everything you need in one*

We bundle together all your home services - energy, broadband, mobile and insurance - into one, great value, monthly bill. And thanks to our inherent economies of scale one set of overheads, multiple revenue streams - the more services our customers take, the more they save.

### *Our Partner model*

Unlike other suppliers, we don't acquire our customers directly. Instead, we have a network of 48,000 self-employed distributors - our Partners - who recommend our services to family, friends and people they know. This word-of-mouth model is at the very heart of our business and has helped us to save time and money for our growing customer base, currently 657,000 strong.

### *Our green initiatives*

Our green fixed tariff means customers who take all of our services can run their homes on 100% certified renewable electricity. We also plant a tree for every new customer who switches all their services to UW. What's more, our free LED light bulb offer helps to reduce our customers' electricity consumption.

### *Which? Recommended Provider for over 10 years running*

Now with more than 30 Which? awards over 14 years, including the only company to have won Which? 'Utilities Brand of the Year' twice, most recently in 2020.

## Chairman's Statement

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

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

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

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

### *Dividend*

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

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

### *Our environmental, social and governance strategy*

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

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

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

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

## **Corporate Governance**

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

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

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

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

## **Recent Trading and Outlook**

### *Recent Trading*

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

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

### *Energy Prices*

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

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

## **Outlook**

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

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

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

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

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

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

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

**Charles Wigoder**  
Executive Chairman  
18 June 2021



## Chief Executive's Review

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

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

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

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

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

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

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

### Our Business model

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

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

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

### ***All your home services in one***

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

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

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

### ***A smarter way to earn***

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

Between them, our 48,000 Partners have introduced virtually every one of our 657,000 customers to us. They are inherently local and trusted brand advocates who spread the word about UW, one neighbour at a time.

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

### ***Our markets***

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

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

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

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

Market-wide 'racing to the bottom' on price inevitably undermines consumer trust and ultimately reduces customer engagement. Accordingly, there is significant media scrutiny and increasing regulatory intervention across all the markets for essential household services. First

were Ofgem, following the CMA investigation into the energy markets, with a price cap implemented in 2019; this was quickly followed by Ofcom announcing new codes of practice covering the broadband market in 2019, and now an ongoing FCA investigation into price walking in the insurance markets is expected to result in significant market intervention later this year. We welcome this focus on the unfair pricing practices prevalent in our markets, and the desire to address the resultant consumer detriment.

### **Our Customers**

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

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

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

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

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

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

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

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

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

In commoditised markets dominated by headline prices, we believe that sustainable value can only be derived from long-term relationships with our customers - as those who have chosen to switch on a comparison site will have a high propensity to do so again when their introductory deal expires. Our alternative approach of earning the trust of our customers, by rewarding

loyalty and commitment, is a key point of differentiation that will enable us to achieve our medium-term growth objectives, and help us maximise long-term shareholder value.

### **Our tech**

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

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

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

### **Our suppliers**

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

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

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

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

### **Our Partners**

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

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

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

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

## **Our Strategy**

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

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

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

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

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

### ***Increasing the number of Partners actively recommending UW***

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

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

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

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

#### **1. Investing in tools for our Partners**

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

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

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

Equally importantly, continually seeking to simplify and improve the competitiveness of our proposition, and innovating where necessary.

And further evolving our customer proposition to reflect consumer demand in each of the markets we operate in - for example full fibre broadband, EV charging points and in-home smart energy services.

## **3. Opening up significant additional markets**

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

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

### ***Supplementing the success of our Partners***

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

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

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

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

### **Our operational performance and non-financial KPIs**

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

- new Partner recruitment up 40% year on year
- further organic growth with service numbers up by 51,000 (2020: 121,000)
- continued low churn

- further strong progress in our smart meter rollout - 57% of our customers now have a smart meter in their property
- Which? Utilities Brand of the Year 2020

### **Our Partners**

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

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

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

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

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

We also adjusted our product roadmap in order to further adapt our Partner income opportunity to meet this rising demand, and make it easier for new Partners to succeed. This included overhauling the new Partner onboarding journey (making it an entirely digital app-based experience), developing our Planner tool (to automatically identify the most attractive prospects amongst a new Partner's existing contacts), paying experienced Partners to help others (primarily new Partners) gain the confidence to sign up customers unaided in future, and introducing a simplified Customer Bonus that strengthens the appeal of our opportunity for those seeking an immediate income.

We are hugely encouraged by the number of new Partners who joined during the year, and believe that as we enter the post-pandemic environment, we stand to benefit from the

increased demand for an alternative and highly flexible income stream to replace or supplement people's previous source of income.

### **Our customers & services**

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

<b>Customers</b>	<b>2021</b>	<b>2020</b>
Residential	633,616	627,058
Business	23,798	25,179
<b>Total</b>	<b>657,411</b>	<b>652,237</b>

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

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

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

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

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

#### **Percentage of new customers taking 'Double Gold' bundle**

Q1 FY19	55.3%
Q2 FY19	57.0%



Q3 FY19	57.6%
Q4 FY19	55.4%
Q1 FY20	59.0%
Q2 FY20	63.4%
Q3 FY20	60.9%
Q4 FY20	60.4%
Q1 FY21	66.6%
Q2 FY21	68.1%
Q3 FY21	58.6%
Q4 FY21	55.0%

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

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

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

### ***Supporting our customers***

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

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

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

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

We continue to invest heavily in offering the digital support and experience that our customers increasingly expect from us - enabling them to self-serve without having to speak to one of our team. During the year we refreshed our UW customer app and online account, offering

increased self-service capabilities, and we continue to employ numerous qualitative and quantitative performance measurement tools to monitor all aspects of our customers' interactions with us.

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

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

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

### **Broadband**

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

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

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

### **Mobile**

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

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

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

### **Energy**

The energy retail markets have now been in a state of flux for almost a decade, with the flood of new entrants now firmly receding. The key challenge facing the industry as a whole is now

the transition to a sustainable energy market - not only in terms of decarbonisation, but also in relation to the financial stability of suppliers.

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

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

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

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

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

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

### **Insurance**

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

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

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

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

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

### **Cashback card**

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

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

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

### **UW Home Services**

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

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

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

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

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

### **Boiler Installation**

Our boiler installation business (Glow Green) made substantial further progress during the year, despite the impact of the pandemic, increasing the number of boilers installed to 8,100 (2020:

5,700), despite social distancing restrictions, with our share of their full year losses reducing to £0.1m (2020: £0.5m loss).

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

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

**Andrew Lindsay MBE**

Chief Executive Officer

18 June 2021

# Financial Review

## Overview of Results

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

In order to provide a clearer presentation of the underlying performance of the group, adjusted profit before tax and adjusted basic EPS exclude share incentive scheme charges of £1.4m (2020: £1.3m) and the amortisation of the intangible asset of £11.2m (2020: £11.2m) arising from entering into the energy supply arrangements with npower in December 2013; this decision reflects both the relative size and non-cash nature of these charges. The reconciliation for adjusted EPS is set out in note 18 of the financial statements.

## Summary

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

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

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

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

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

## Revenues

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

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

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

### **Margins**

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

### **Distribution and Administrative Expenses**

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

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

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

### **Cash, Capital Expenditure, Working Capital and Borrowings**

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

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

### **Dividend**

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

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

### **Share Incentive Scheme Charges**

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

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

### **Taxation**

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

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

### **Nick Schoenfeld**

Chief Financial Officer  
18 June 2021



# Principal Risks and Uncertainties

## Background

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

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

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

## Business model

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

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

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

## Reputational risk

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

In developing new services, and in enhancing current ones, careful consideration is given to the likely impact of such changes on existing customers.

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

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

**Information technology risk**

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

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

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

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

**Data security risk**

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

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

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

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

**Legislative and regulatory risk**

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

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

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

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

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

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

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

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

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

### **Financing risk**

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

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

### **Fraud and bad debt risk**

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

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

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

### **Wholesale price risk**

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

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

proven attractive to infrastructure owners, who compete aggressively to secure a share of the Group's growing business.

The supply of energy has different risks associated with it. The wholesale price can be extremely volatile, and customer demand can be subject to considerable short-term fluctuations depending on the weather. The Group has a long-standing supply relationship with npower under which the latter assumes the substantive risks and rewards of buying and hedging energy for the Group's customers, and where the price paid by the Group to cover commodity, balancing, transportation, distribution, agreed metering, regulatory and certain other associated supply costs is set by reference to the average of the standard variable tariffs charged by the 'Big 6' to their domestic customers less an agreed discount, which is set at the start of each quarter; this may not be competitive against the equivalent supply costs incurred by new and/or other independent suppliers. In addition, the timing of any quarterly price changes under the E.ON (formerly npower) arrangement may not align with changes in retail prices, creating temporary short-term fluctuations in the underlying margins earned by the Group from supplying energy. However, if the Group did not have the benefit of this long-term supply agreement it would need to find alternative means of protecting itself from the pricing risk of securing access to the necessary energy on the open market and the costs of balancing.

### **Competitive risk**

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

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

### **Infrastructure risk**

The provision of services to the Group's customers is reliant on the efficient operation of third party physical infrastructure. There is a risk of disruption to the supply of services to customers through any failure in the infrastructure e.g. gas shortages, power cuts or damage to communications networks. However, as the infrastructure is generally shared with other suppliers, any material disruption to the supply of services is likely to impact a large part of the market as a whole and it is unlikely that the Group would be disproportionately affected. In the

event of any prolonged disruption isolated to the Group's principal supplier within a particular market, services required by customers could in due course be sourced from another provider. The development of localised energy generation and distribution technology may lead to increased peer-to-peer energy trading, thereby reducing the volume of energy provided by nationwide suppliers. As a nationwide retail supplier, the Group's results from the sale of energy could therefore be adversely affected.

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

#### **Smart meter rollout risk**

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

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

#### **Energy industry estimation risk**

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

#### **Gas leakage within the national gas distribution network**

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

#### **Key man risk**

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

#### **Single site risk**

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

**Acquisition risk**

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

**Virus outbreak risk**

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

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

# People and Organisation

## Our people

Our 2,000 employees are at the heart of our business and vital to UW's success supporting our self-employed Partners and providing award winning customer service.

Although we have 2,000 employees we aim to treat everyone as an individual, each of whom is a valuable part of the UW community. We strive to create a sense of belonging and for everyone to feel welcome and included wherever they may work.

We offer fully remote working as well as smarter working (spending 2-3 days in the office and the rest at home) enabling our teams to work more flexibly and focus on outcomes.

## Recruitment

Recruitment is any candidate's first 'window' on the Company, so this is a critical focus for us. We ensure that we recruit, train and retain people who have the right skills, and care about making a positive contribution to the business. We continue to recruit new employees through our own in-house assessment process, which provides a high level of control over recruitment and quality, avoiding bias, and focusing on identifying the very best candidates for each available position.

Throughout the pandemic we have continued to effectively recruit and induct our candidates, mainly fully remotely.

## Onboarding

The majority of our employees work in customer service roles, and we have a high-quality induction programme which is tailored to their needs.

After joining the Company, all new customer service advisors attend a structured onboarding programme, designed to help them understand their role with us, and to equip them with the skills and knowledge they need to deliver the high standard of customer service which customers and Partners expect. After successful completion of this programme, these advisors progress to an academy environment, with high levels of support and coaching relevant to their specific role. Once they are deemed ready, they join a team where they continue to receive appropriate support and training, including compliance.

New employees for our support functions - Finance, People & Culture, Marketing and Facilities - also join our universal induction programme, before continuing with structured onboarding for their respective functions; additional coaching (as required) is provided at every level of the organisation.

## Learning and development

We're changing our Learning and Development offering. This year we have implemented our new learning management experience platform ("Looop"), giving us greater flexibility in developing learning products, running campaigns and the ability to provide fully remote learning. We provide a range of learning opportunities – tailored so people can learn how, when and where they choose. Our learning includes technical skills as well as broader key behavioural skills such as resilience, change, coaching and mentoring.



## **Engagement**

Engagement with our workforce includes formal and informal meetings. We have an employee forum ("The Purple Forum") which was formalised into a workforce advisory panel in accordance with the requirements of the Corporate Governance Code. The aim of The Purple Forum is to encourage transparent discussion, understand any challenges employees may face and identify areas for improvement. This forum is comprised of twelve nominated employees from across the business. Meetings are attended by the People and Culture Director who reports a summary of the discussions directly to the CEO. Minutes of the meetings are kept with any action points followed up at the following meeting.

This is supplemented by a number of less formal channels of communication with our employees. During the year, we held monthly townhalls, breakfast sessions, listening groups and Q&A's with members of the senior leadership team. These are important vehicles for ensuring employees feel valued and listened to, whilst bridging the gap between employees and senior management.

We have a company blog, 'YOUW', which is shared monthly, and is designed to give all employees the opportunity to share and celebrate the achievements of colleagues.

During covid we have continued celebrating, bringing people together and recognising our achievements. This year we gave luxury Christmas presents to everyone, a takeaway for a lockdown Valentine's Day meal, brownies to celebrate our Which? Awards and many more. In addition, each team receives a 'fun fund' monthly allowance of £5 per person to be used towards team bonding activities that they can enjoy together.

## **Health and wellbeing**

Our employees' mental and physical wellbeing is equally a key priority. Everyone has access to our Employee Assistance Helpline, offering them and their families access to information, advice and professional counselling on a variety of personal and workplace issues. We provide mindfulness sessions, Pilates, yoga and meditation courses as well as keep-fit classes. We also offer appointments with our mental health nurses. We have three nurses who have continued to provide remote appointments, a benefit that is highly valued by our workforce. Employees can book appointments with them anonymously for free mental and physical health checks.

One of our most recent initiatives was a four-week campaign #TogetherWeGrow (for Stress Awareness Month) focussing on our employees' mental and physical well-being. Over 1,000 people took part in reconnecting via 220 random coffees, learning something new, looking after our physical/mental wellbeing and supporting each other.

## **Pay and reward**

We review pay and benefits annually and employees benefit from an annual bonus depending on length of service. We committed to paying the Real Living Wage from 1st April 2021 and London Living Wage within the first year of employment.

The Company operates an HMRC-approved employee share option plan, under which employees are granted options to purchase shares in the Company which are exercisable between three and ten years from the date of grant. The exercise price is the market price at the time of granting the option. Our policy is to issue options to all employees after the satisfactory completion of their probationary period, and additional options when 10 years' service has been completed and in other appropriate circumstances (e.g. promotion).

The Company also operates a Save As You Earn (SAYE) share scheme.

As at 31 March 2021, there were outstanding options over 2,568,665 shares which had been granted to employees, representing approximately 3.2% of the issued share capital of the Company.

We encourage all employees to participate in a pension scheme operated by Scottish Widows (formerly operated by Aviva). Participants can choose their own contribution level, which is matched by the Company up to a limit which varies according to length of service. As a result of pension auto-enrolment, the Company is contributing to the pension funds of virtually all employees, on a monthly basis.

We actively facilitate 'Access to Work' grants for employees who have a disability, physical health or mental health condition, seeking to provide practical support which enables them to continue working effectively.

### **Diversity and Inclusion**

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

We consider it important for us as a business to have a diverse and inclusive workforce. We have a Diversity Forum that focuses on creating an environment where we highlight, educate, inform, support and celebrate uniqueness – irrespective of our religious beliefs, cultural background, age, ethnicity, gender, disabilities or sexual orientation. We encourage talented people of different backgrounds, beliefs or any form of personal identity to be involved, respected and inspired to develop to their full potential. We are committed to creating an inclusive environment where everyone can bring their whole self to work, contribute their best work and develop to their full potential. We want to maintain an environment that reflects the diversity and characteristics of the customers and communities we operate in and which is free from any form of harassment, bullying and discrimination.

We're proud to have signed up to the Race at Work charter and its commitments. We've appointed an Executive Sponsor to make sure we have visible leadership on diversity and inclusion and help drive our culture and commitments forward. We have a board-level commitment to zero tolerance of harassment and bullying and we're against all forms of unlawful and unfair discrimination, whether that is verbal or written. We'll take appropriate action with those that don't follow this policy.

We have updated our Diversity & Inclusion ("D&I") policy and we've added a summary to our website. We'll continue to develop our D&I initiatives to support our goals over the coming year.

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

	<b>2021</b>		<b>2020</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
Board	8	2	6	1
Senior Managers	29	10	19	9
Employees	1,250	695	1,184	608

The Board's position in relation to the Corporate Governance Code requirement to set out any existing measurable objectives in relation to Board diversity is set out in the Corporate Governance Statement on page 51.

The Company publishes its Gender Pay Gap report each year in accordance with the requirements of The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017; a copy of the latest report available is at: [www.telecomplus.co.uk/legal/corporate-information/gender-pay-gap-report](http://www.telecomplus.co.uk/legal/corporate-information/gender-pay-gap-report).

### **Our response to covid**

We quickly responded to the pandemic enabling our employees to work from home, providing them with the tools they need to do their job. This switch included moving all meetings to Google Hangouts, having virtual townhalls as well as us providing remote fitness sessions, mental health support and engagement events.

Throughout the pandemic we have continued to focus on keeping our teams motivated and engaged. We have held numerous remote team events including cake making, afternoon teas, cocktail making and Zoom quizzes. We have also made sure to celebrate with Christmas presents for all, Valentine dinner takeaways, brownies and sweets in recognition of all our awards/achievements and many more. Putting people at the centre of everything we do.

# Sustainability Report

## Environmental, Social & Governance Summary

### Introduction

There is little need for a lengthy explanation as to why sustainability is an important topic for our business.

We have always thought of ourselves as being focussed on the long term, not least as this is a key component of what we offer our Partners - an opportunity to build a long-term recurring income stream, in return for recommending UW to their friends and family.

But in the context of having a business model that has sustainability at its heart it's almost more important to look at how we work.

All our business is done in person, by Partners who live just around the corner from each of us. Just as they recommend UW one neighbour at a time, so we are approaching our ESG strategy in the same way: not just looking at our impact on a global scale that can sometimes be hard to relate to or act upon. But looking at the difference we can make with the people we see, the places we know, the neighbourhoods where we live.

The positive impact our business has on a local level through our Partners is huge, and as a result they view UW as much more than simply an income. In the same vein, UW has always been about much more than making a profit - but historically we have failed to tell this narrative. We therefore welcome the opportunity to showcase the steps we have already taken and the commitments we are making for the future, including donating 1% of our reported profits to the UW Foundation every year.

This year we have carried out a materiality assessment to engage with key stakeholders - our customers, Partners and employees amongst others - to better understand the ESG issues which are important to them and that are relevant to our business.

This approach has provided us with a clear understanding of where our priorities should be, have informed the commitments we are making this year, and will do for the years to come. Our commitments contribute to the ambitions of the UN Sustainable Development Goals (SDGs), but just like our business, they start local and we have grouped them accordingly: One Culture, One Neighbourhood and One Planet.

More detail on the materiality assessment we carried out and our overall approach can be found in our ESG Strategy Report, available at [www.telecomplus.co.uk](http://www.telecomplus.co.uk)

### One Culture

#### Investing in growth and belonging

Inspiring and developing our employees and our Partners through the opportunities we provide as well as our ongoing training and development, and working to develop our diversity and inclusion strategies.

## **Our goals**

We want to transform the lives of more people than ever before through UW Partnership, and we believe that a flexible income opportunity like ours has never been more relevant than it is today. Our aim is that anyone, anywhere is able to start earning a meaningful income from UW simply by helping their neighbours.

We also want to transform our employee experience, focussing on the key moments that matter, from onboarding through to development and retention. In doing so, we aim to achieve an employee Glassdoor rating of over 4 and a 'recommended to a friend' measure of 80%.

We are growing an increasingly diverse UW. We have signed up to and are embedding the Race Charter within the business, and we will provide career progression for all, specifically focussing on activities that support the progress of ethnically diverse employees.

We have also set Diversity & Inclusion targets for all management roles (employees who manage others). By the end of FY2025, at least 30% of all management roles will be held by ethnically diverse employees and at least 40% will be held by female employees.

## **Progress to date**

We are fully committed to helping Team Purple - our 48,000-strong community of Partners - to achieve their goals through UW, whatever they may be. We have reduced the cost of becoming a Partner, developed our remote appointment capability, replaced our traditional lines of communication between our Partners and the business, and introduced home-based incentives, mental and physical wellbeing sessions, and remote personal development training.

We have also made it easier for new Partners to succeed by developing the Partner onboarding journey (making it an entirely digital app-based experience), developing our Planner tool (to automatically identify the most attractive prospects amongst a Partner's existing contacts), paying experienced Partners to help new Partners gain the confidence to sign up customers unaided in future, and introducing a simplified Customer Bonus that strengthens the appeal of our opportunity for those seeking an immediate income.

We have embedded our Smarter Working model into the business, giving our employees the opportunity to work from home at least two days a week or fully remotely, providing them with all of the equipment and support to do their job anywhere in the UK. We also provide comprehensive support for employees' mental health and wellbeing, wherever they are working.

Since 1st April 2021, we have been paying the Real Living Wage and the London Living Wage to all those who have over one year's service with us.

We are proud to have signed up to the Race Charter, which is championed by our Chief Operating Officer. We have recently set out our commitments which are set out in our ESG Report. Our Diversity & Inclusion forum, sponsored by our Board, meets monthly to develop our Belonging at UW agenda. This year we have developed our D&I policy and set targets across the business (above) which we are working towards delivering.

## **UN SDGs we contribute to:**

UN SDG 8  
UN SDG 10

## **One Neighbourhood**

### **Investing in how we work with others**

Ensuring reliability of supply, service and product delivery through periods of uncertainty and risk such as extreme weather events and global pandemics.

Conducting business that is fair, transparent and accountable both within UW and across its supply chain.

Protecting our customers' safety both online and offline, through the delivery of safe products and services and protecting our customers' data and privacy.

Committed to protecting vulnerable customers who need additional support.

### **Our goals**

The UW neighbourhood has continued to grow, but we're still focussed on the best interests of the people and businesses who we serve and work with. Being a responsible and reliable supplier is therefore key, and every initiative we deliver has to reinforce the confidence and trust our customers and Partners have in the way we run our business.

Our goal is to ensure that we are able to reliably supply our customers with their services; that we run our business in a fair, transparent and accountable manner; and that we protect our customers' safety and support vulnerable customers effectively. We want to ensure that all new suppliers sign up to our ways of working by FY2023. This year we will also be working closely with Citizens Advice Plymouth to learn how to better support our vulnerable customers.

It's also why we set up the UW Foundation in 2020 focussing on key environmental, social and charitable projects and which provides a focal point for our Partners and employees and their charitable activities, and we match fund amounts raised. From 2021, we're committing to contributing 1% of our reported annual profits to the UW Foundation to support the environmental and social causes the Foundation supports.

### **Progress to date**

We want to work with our suppliers, employees and Partners who share our values, and a big part of this is the way we do business together. As part of our commitment to reliable supply and fair and transparent business practices, we launched our Supplier Code of Conduct (and a series of associated policies) and are aiming for all new suppliers to sign up to this Code.

Ensuring reliability of supply has been vital throughout the pandemic. We enabled almost all of our employees to work remotely from home by early April 2020, including in our call centre teams, to ensure we were able to supply and communicate with our customers and Partners. Offering this high standard of service relies on strong supplier relationships, which is why we select them carefully and now ask them to sign up to our Supplier Code of Conduct.

Our Anti-bribery and Corruption Policy makes it clear that we do not tolerate bribery or corruption anywhere within our business or in any form. All new starters complete a mandatory training module on our compliance learning platform, and employees who are in supplier-facing or procurement roles complete additional training. Our staff handbook and Partner policies and guidelines set out the standards of behaviour we expect from everyone who works with UW.

We want to make sure we are open and transparent in our communications and the way we do business. As a result, we ensure anyone who wants to report an ethical concern to us can do so safely and in confidence. This year we refreshed our Whistleblowing Policy and we have an externally managed helpline via SafeCall where our employees, Partners, suppliers, contractors and all other parties we work with can report any concerns.

We are committed to respecting Human Rights across our business and our supply chain and have a Human Rights Policy which covers human rights, modern slavery and forced labour. Our Board have approved a Modern Slavery and Human Trafficking Statement in compliance with section 54 of the Modern Slavery Act 2015, which is available on our website.

We have signed up to the Energy UK Vulnerability Commitment and partnered with Citizens Advice Plymouth to provide additional support for vulnerable customers.

We also provide our customers with tips on our website to help them stay safe online and protect themselves from cybercrime. We have recently started to offer our customers eero WiFi mesh devices for their homes with weekly security digests, built-in parental controls, (meaning that our customers are able to control who is able to see what content at what time) so we can help our customers manage their online lives and security more effectively.

### **UN SDGs we contribute to:**

UN SDG 16

### **One Planet**

#### **Investing in a low carbon future**

Tackling the climate crisis and committing to Net Zero to support the UK Government's transition to net zero whilst also helping our customers to do the same.

Playing a leading role in the Green Industrial Revolution, by leading the use of an investment in new technologies to help our customers to lower their emissions and access and use low emission energy.

### **Our goals**

We believe, based on the work we have undertaken this year, that our target to be net zero by 2040 is eminently achievable and we are playing our part in the UK Government's transition plans. Working with our energy supplier E.ON, we will significantly reduce our emissions and the carbon intensity of electricity we supply, and over the course of 2021 we will establish clearly defined targets to reduce our emissions and plot our path to net zero. With regards to our scope 2 emissions, we aim to be net zero by the end of FY2023 by using 100% renewable electricity in our buildings. We're already using electricity backed by low-carbon generation in our HQ building. We're also investigating how to introduce electric vehicles into our engineering fleet.

We will lead on supplying energy saving technology where appropriate: this is primarily in the form of smart meters, and we aim to install these in 85% of our customers' homes by the end of FY2023 and 70% by the end of FY2022. Although this is in line with Ofgem's industry target, we aim to meet this much sooner than FY2024 as we are already significantly ahead of almost all suppliers in our rollout program.

## **Progress to date**

We completed the mapping of our scope 1, 2 and 3 emissions this year.

We are a carbon neutral business in respect of our scope 1 and 2 emissions. We have achieved this by offsetting those emissions by partnering with Forest Carbon and the Verified Carbon Standard accredited Rimba Raya project in Indonesia.

The UW Foundation has been supporting a tree planting project in Bryn Arw in Wales as part of its commitment to improving our environment and biodiversity in the Brecon Beacons. So far, we have planted 117,400 trees across 73 hectares, which will absorb up to 32,000 tonnes of carbon dioxide in future years.

We have offered multiservice customers a Green Fixed tariff since March 2020 and over 64,000 customers have chosen it. Between them they have consumed 186,000MWh of renewable electricity. Our Green Fixed tariffs are REGO (Renewable Energy Guarantees of Origin) backed, so for every unit of electricity our customers use we buy a REGO certificate from a renewable generator, supporting their further development.

We have installed almost 600,000 smart meters in total and 145,000 in FY2021 despite the covid pandemic.

We now give Partners the choice of an electric vehicle - a Tesla Model 3 - when they reach customer milestones, instead of a petrol or diesel vehicle.

Through our LED light bulb programme we have installed 5 million bulbs in 150,000 UW customers' homes. Over their lifetime, this will save approximately 46,000 tonnes of carbon. We will continue to post replacement low energy bulbs to customers for free whilst they remain with us.

## **UN SDGs we contribute to:**

UN SDG 7  
UN SDG 9  
UN SDG 12  
UN SDG 13  
UN SDG 15

## **Carbon reporting**

### **Greenhouse gas emissions statement**

This year, we have reported on Scope 3 emissions (indirect supply chain; primarily our customers' energy usage) as well as Scope 1 and 2 emissions (see table below for full data) to better understand the full extent of our impact. We have reported our carbon intensity using 'Tonnes CO2 per £million Turnover' for the first time and will continue to report in this way on an annual basis. Our GHG reporting year is the same as our financial year.

We believe this to be the most appropriate metric for the sectors in which we operate. We plan to disclose our GHG emissions through the Carbon Disclosure Project (CDP) in 2021. Our reporting covers all of our UK based emission sources, we do not have any non-UK operations.



We recognise that the past year is not representative of normal operations and that our absolute emissions and carbon intensity is likely to increase next year (as postponed carbon intensive activities such as Partner incentives occur once Covid-related lockdowns lift). During 2021 we will begin the transition to low carbon alternatives for our Scope 1 and 2 emissions which includes investigating and ultimately implementing programmes to move our fleet to EV alternatives and using 100% renewable electricity in our buildings.

Our carbon footprint data was calculated by Carbon Change Ltd and the overall approach we used is based on the Greenhouse Gas Protocol Standard (and supporting reporting guidelines) which enables organisations to measure, manage and report their GHG emissions from direct operations and through their supply chains. We have reported on all the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Our GHG emissions for scopes 1 (direct emissions from our own operations) and 2 (indirect emissions from the generation of purchased energy) are set out below, with a comparison against the previous year. Our emissions are lower than the previous financial year, largely due to covid travel and working restrictions. This year we have also reported on our scope 3 emissions (indirect supply chain; primarily our customers' energy usage) for the first time.

<b>Location based emissions</b>		<b>20/21 tCO2e</b>	<b>19/20 tCO2e</b>
Scope 1	Combustion of fuel and operation of facilities	1,665	1,937
Scope 1	Refrigerants	77	243
Scope 2 (Location based)	Electricity purchased for own use (incl. PV generated and green tariff)	1,138	1,341
Scope 3	Includes electricity and gas sold to customers	1,725,129	1,792,121
Gross Emissions (Location based)	Total scope 1+2+3 CO2e emissions	1,728,009	1,795,642
Intensity Measure (Location based)	Tonnes of CO2e per £m turnover	2,007	2,050
<b>UK underlying energy use (kWh)</b>			
Total Scope 1 Energy use	Combustion of fuel and operation of facilities (natural gas, fleet fuel oils, company cars)	6,614,107	7,552,764
Total Scope 2 Energy use	Electricity	4,882,710	5,247,423
Total Scope 3 Energy use	Electricity and gas sold to customers, leased buildings and fuel use in personal/hire cars	8,584,096,502	8,667,018,852
Total Energy use (kWh)		8,595,593,319	8,679,819,039

**Energy efficiency initiatives** We are committed to reducing the carbon impact from our operations and supply to our customers. We have set our target of net zero operational carbon emissions across the organisation by 2040 and we're putting in place our plans to achieve this. With regards to our scope 2 emissions, we aim to be net zero by the end of FY2023 by using 100% renewable electricity. We're already using electricity backed by low-carbon generation in our HQ building. We're also investigating how to introduce electric vehicles into our fleet. This year we measured our Scope 3 emissions and we realise we need to focus our attention here with our energy supplier, E.ON.

The building layout of our NHQ premises allows for individual floors to be isolated when not in use. An excellent example of this is the zoning of the LED lighting control to mirror how working teams use the space with local sensor control to avoid wastage outside of core hours. The Group has implemented a number of the recommendations outlined in both the ESOS Phase I & II audit reports, e.g. increasing the temperature set point in the large server rooms and smaller patch panel room with monitoring of temperature in the event of failure, upgrading the lighting in the warehouse to LED, ensuring air conditioning units are time controlled with appropriate temperature set points, temperatures, and dead band control strategy. The Group's van fleet operates on-board telematics to improve miles per gallon and driving style. This data enables the Group to tailor training to each driver's needs, thus improving the efficiency of their vehicles.

Please see our ESG Report for more detail on our goals, ambitions and progress to reduce our greenhouse gas emissions.

## **TCFD**

We are currently working on the implementation of the Task Force on Climate related Financial Disclosures in time for the next financial year. We support the recommendations of the TCFD and we are working towards being able to make our TCFD disclosures in our annual report next year. We recognise that these requirements are an important part of ensuring our reliability of supply and enabling a path to net zero carbon emissions. This year we have carried out a gap analysis to better understand where we need to make changes and develop our plans to do so.

## **TCFD Pillars**

### **Governance**

We are in the process of formalising the role, responsibilities and governance structure for ESG matters. We have an ESG Strategy Group, overseen by our CEO who will report ESG matters to the Board who have ultimate responsibility for our ESG strategy and progress.

### **Strategy**

We will progress our climate related risk assessment over the coming financial year which will inform our key risks and opportunities to our business operations, financial planning and strategy. Given the nature of our business (we rely on third party supply relationships and do not own our own distribution or generation infrastructure), we do not expect a material level of risk to our business and will largely depend on our supply relationships.

### **Risk Management**

We performed a materiality assessment with our key stakeholders as part of our ESG strategy development and to understand which topics are most important to them. As set out above, we do not currently expect that climate related risks will have a material impact on existing assets

or financial models but we do acknowledge the importance of and our reliance on our supplier relationships and it is important for us to understand the risks facing our suppliers. We will work to update our corporate risk assessment process to reflect how we identify, assess and manage climate related risks going forwards.

## Metrics and Targets

This year we have carried out a more comprehensive review of our GHG emissions (including our scope 3 emissions) which has given us a much better picture of our impact on the environment and we have disclosed our GHG emissions in this Annual Report. We will use this to develop our targets and ambitions. We will ensure we continue to measure our GHG emissions effectively and comprehensively and manage them accordingly in line with our targets.

In the future, we will undertake climate risk scenario analysis and resilience assessments when we have fully implemented our plans set out above.

## Section 172(1) Statement

### *Background*

The Companies Act 2006 (the "Companies Act") sets out a number of general duties which directors owe to the Company. New legislation has been introduced to help shareholders better understand how directors have discharged their duty to promote the success of the Company, while having regard to the matters set out in section 172(1)(a) to (f) of the Companies Act. In the current financial year, the directors continued to exercise all their duties, while having regard to these and other factors as they managed and governed the Company on behalf of its shareholders.

### *Engaging with key stakeholders*

The success of the Company is dependent on building positive relationships with all of our key stakeholders to deliver long-term sustainable success.

The table below sets out details of engagement with key stakeholders.

Stakeholder	Details
Shareholders	<p>As owners of the Company we rely on the support of shareholders and their views are important to the Board.</p> <p>The executive directors have an open dialogue with our shareholders through one-to-one meetings, group presentations with analysts, and at the Annual General Meeting. Discussions with shareholders cover a wide range of topics including financial performance, strategy and outlook. The non-executive directors engage with institutional shareholders on matters of governance and remuneration.</p> <p>Shareholder feedback, along with details of significant movements in the shareholder base are regularly reported to and discussed by the Board and, where appropriate, their views are sought as part of certain decision-making processes.</p>
Partners	<p>The Company relies on the Partners within its independent distribution network for gathering new customers.</p>

	<p>Communication with our Partners is a key focus for the business and is conducted through various meetings, forums and large-scale conferences.</p> <p>Where appropriate, Partner feedback is sought when significant changes are being considered to the operation of the distribution network.</p>
People	<p>Employees are key to the Company delivering award-winning services to customers.</p> <p>There are many ways we engage with and listen to our employees including weekly email updates, employee surveys, forums, face-to-face briefings (including breakfast with the CEO), and an internal company magazine.</p> <p>Key areas of focus include company development and strategy, health and well-being, development opportunities, pay and benefits. Regular reports about what is important to our employees are made to the CEO ensuring consideration is given to employee needs.</p>
Customers	<p>We build long-lasting relationships with our customers as evidenced by our low levels of churn.</p> <p>We devote considerable resources to understanding customer requirements and soliciting feedback from them on ways to improve our offer and services. We use this knowledge to inform our strategy of helping customers to "get on with their lives" by offering savings, simplicity and service across all the household services we are providing to them.</p>
Suppliers	<p>As a reseller we are required to work closely with our key suppliers to ensure that we are delivering the best possible combination of value and service to our customers; our success in achieving this is demonstrated by the numerous endorsements and consistent recommendations we receive from Which?</p> <p>The interests of our suppliers are strongly aligned to our own as the number of customers we are able to attract has a direct impact on their own financial performance and market share. This generates close and supportive relationships with our key suppliers which are fostered through regular interaction at a senior management level.</p>
Community	<p>We are committed to building positive relationships within the communities where we operate.</p> <p>We are a significant employer in the local community around our head office and support a number of charitable activities. We have recently set up the UW Foundation to further these endeavours.</p> <p>Our Partner business opportunity allows a range of people from communities across the UK to advance their lives, driving our strategy to help Partners to "get on in life".</p>

Regulators	<p>We operate in highly regulated markets and understand the importance of maintaining a constructive working relationship with Ofgem, Ofcom and the FCA, who between them are responsible for the regulation of the diverse range of services we offer.</p> <p>We engage with officials from these regulators as necessary to make them aware of the Company's views when they are consulting on proposed regulatory changes, or if there are competition issues that need to be raised with them.</p>
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*Further s172 factors*

Further information as to how the Board has had regard to the s172 factors:

<b>Section 172 factor</b>	<b>Key examples</b>	<b>Page</b>
The likely consequences of any decisions in the long-term	Sustainability Report	35
The interests of the Company's employees	People & Organisation report	31
Fostering business relationships with suppliers, customers and others	Chief Executive's Review	8
The impact of the Company's operations on the community and the environment	Sustainability Report	35
Maintaining a reputation for high standards of business conduct	Sustainability Report Corporate Governance Statement	35 48
The need to act fairly as between members of the Company	Corporate Governance Statement Directors' Report	48 80

**Strategic Report Approval**

The Strategic Report set out on pages 2 to 44, which incorporates the Financial and Operating Highlights, the Chairman's Statement, the Chief Executive's Review, the Financial Review, Principal Risks and Uncertainties, People and Organisation and Sustainability Report, has been duly approved by the Board.

By order of the Board  
**David Baxter**  
 Company Secretary  
 18 June 2021



## Board of Directors

<p><b>The Hon. Charles Wigoder</b> Executive Chairman</p> <p><b>Appointed</b> 13 February 1998</p> <p><b>Skills and experience</b></p> <p>Charles 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.</p> <p><b>External appointments</b> None</p>	<p><b>Beatrice Hollond</b> Senior Independent Non-Executive Director</p> <p><b>Appointed</b> 26 September 2016</p> <p><b>Skills and experience</b></p> <p>Beatrice spent 16 years at Credit Suisse Asset Management in Global Fixed Income and began her career as an equity analyst at Morgan Grenfell Asset Management.</p> <p><b>External appointments</b> Beatrice is a main board Director and Chair of Remco (US) and Chairman of the International Advisory Board (UK) of Brown Advisory, a non-executive director of M&amp;G Limited, senior independent non-executive director at Templeton Emerging Markets Investment Trust, non-executive director of Foreign &amp; Colonial Investment Trust PLC, a member of the Advisory Board of Hambro Perks Limited and adviser to a private family office.</p>	<p><b>Andrew Lindsay MBE</b> Chief Executive Officer</p> <p><b>Appointed</b> 25 November 2008</p> <p><b>Skills and experience</b></p> <p>Andrew joined the Company in April 2007 and was appointed to the Board in November 2008. Before joining Telecom Plus, Andrew was Managing Director of Ryness, an electrical retail chain based in London in which he previously held a significant equity stake after performing a Management Buyout in 2006. Prior to buying Ryness, he spent three years as an analyst in the UK Mergers &amp; Acquisitions team at Goldman Sachs. Andrew rowed for Great Britain at the Sydney Olympic Games in 2000, where he won a Gold medal.</p> <p><b>External appointments</b> None</p>
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<p><b>Nick Schoenfeld</b> Chief Financial Officer</p> <p><b>Appointed</b> 7 January 2015</p> <p><b>Skills and experience</b></p> <p>Nick joined the Company in January 2015 as Chief Financial Officer. Since 2006, Nick was Group Finance Director of Hanover Acceptances, a substantial diversified private company with holdings in the food manufacturing, real estate, and agribusiness sectors. He was previously employed at Kingfisher plc, where he was responsible for the group's financial planning and analysis functions. Prior to this, he held senior strategic and development roles within Castorama and the Walt Disney Company, having started his career as a management consultant at the Boston Consulting Group. Nick also has an MBA from the Harvard Business School.</p> <p><b>External appointments</b> None</p>	<p><b>Stuart Burnett</b> Chief Operating Officer</p> <p><b>Appointed</b> 23 July 2020</p> <p><b>Skills and experience</b></p> <p>Stuart joined the Company in 2016 as Legal &amp; Compliance Director and then moved on to become Commercial Director, managing all commercial activity, including our key commercial relationships and customer proposition. As Chief Operating Officer, Stuart is responsible for all day-to-day operations across Energy, Telecoms and Financial Services, as well as our People and Legal &amp; Compliance functions. Stuart began his career as a corporate lawyer at Slaughter &amp; May after reading law at Oxford University. He then worked in senior roles at RSA Insurance Group PLC and TSB Banking Group PLC, prior to joining the Company.</p> <p><b>External appointments</b> None</p>	<p><b>Andrew Blowers OBE</b> Non-Executive Director</p> <p><b>Appointed</b> 22 November 2016</p> <p><b>Skills and experience</b></p> <p>Andrew's career spans over 25 years in the UK financial services industry. He was the founder and CEO of Swiftcover.com and Chairman of IIC NV from 2004 to 2009 and an executive director of Churchill Insurance.</p> <p><b>External appointments</b> Andrew is the Chairman of AA Insurance Holdings Limited. He is also Chairman of ATEC Group Limited a specialist digital niche insurance provider.</p>
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<p><b>Melvin Lawson</b> Non-Executive Director</p> <p><b>Appointed</b> 27 September 2006</p> <p><b>Skills and experience</b></p> <p>Melvin is an investor in a number of public and private companies in the real estate and technology sectors. He was previously the Managing Director of A Beckman PLC, a company formerly listed on the London Stock Exchange which was taken private in 1995.</p> <p><b>External appointments</b> Melvin is a non-executive director of Catalyst Media Group PLC and a number of other companies.</p>	<p><b>Julian Schild</b> Non-Executive Director</p> <p><b>Appointed</b> 25 May 2010</p> <p><b>Skills and experience</b></p> <p>Julian qualified as a Chartered Accountant in 1986. He joined Huntleigh Technology PLC in 1987 and was promoted to Group Finance Director that year, and to Chairman in 2003. Julian was Chairman of the Association of British Healthcare Industries from 2006 to 2007. Following the sale of Huntleigh in 2007, he set up a company investing in start-ups. Julian actively supports many charitable activities.</p> <p><b>External appointments</b> Julian is a Director of the Hospital of St. John &amp; Elizabeth in London and a director of the City of London Sinfonia.</p>	<p><b>Suzi Williams</b> Non-Executive director</p> <p><b>Appointed</b> 23 July 2020</p> <p><b>Skills and experience</b></p> <p>Suzi brings to the board over 30 years of customer-centric marketing expertise plus extensive telecoms experience gained initially at Orange and then at BT where she was Chief Brand &amp; Marketing officer for over a decade. Prior to BT she held senior leadership and strategy roles at Capital Radio Group, Orange, the BBC, KPMG Consulting and Procter &amp; Gamble Europe. Suzi was an independent non-executive at The AA until its successful sale to private equity in March 2021.</p> <p><b>External appointments</b> Suzi is a senior board advisor on brand and marketing. She is currently an independent non-executive director and Remuneration Committee Chair at Workspace plc and at Zegona Communications respectively.</p>
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## Corporate Governance Statement

The Board is pleased to report that during the year and as at the date of this Annual Report the Company has applied the main principles and complied with the provisions of the UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council in July 2018, save in the limited instances explained below. Copies of the Code are available at [www.frc.org.uk](http://www.frc.org.uk).

This report, together with the Director's Report on pages 80 to 84 and the Directors' Remuneration Report on pages 60 to 79, provides details of how the Company has applied the principles and complied with the provisions of the Code and where required explains the rationale for instances where the Company has not been compliant, namely: (i) the external facilitation of a Board evaluation exercise; and (ii) the requirement to formally consult with employees regarding the determination of the directors' remuneration policy. Further detail in relation to the Company's position on formally consulting with employees regarding the determination of the directors' remuneration policy is set out in the Directors' Remuneration Report.

### The Board of Directors

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

### Board Duties

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

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

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

All Board and Committee meetings during the year were held virtually through video conferencing.

**Table of attendance at formal meetings during the year ended 31 March 2021**

Name of Director	Board	Remuneration Committee	Audit Committee	Nomination Committee
<i>Number of meetings</i>	<i>12</i>	<i>4</i>	<i>3</i>	<i>-</i>
Charles Wigoder	12	-	-	-
Beatrice Hollond	12	4	3	-
Andrew Lindsay	12	-	-	-
Nick Schoenfeld	12	-	-	-
Stuart Burnett*	9	-	-	-
Andrew Blowers	12	4	3	-
Julian Schild	12	2	3	-
Melvin Lawson	12	-	-	-
Suzi Williams*	9	2	-	-

\* Stuart Burnett and Suzi Williams joined the board on 23 July 2020 and they both attended all meetings following their appointments.

In accordance with provision 12 of the Code, the non-executive directors also met without the executives present during the year.

**Board Evaluation**

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

An internal evaluation of the Board for the current year was conducted through the completion of formal detailed board, and board committee evaluation questionnaires by each director. A review of the results, led by the Company Secretary, principally covered the following areas: specific matters of concern arising from the questionnaires, directors' performances and any key objectives for the coming year.

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

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

- the induction and training of board members.

In accordance with provision 12 of the Code and building on the results of the evaluation questionnaires, a separate evaluation of the performance of the Chairman was conducted. This evaluation principally comprised a review of the Chairman's leadership style and tone in promoting effective decision-making and ensuring constructive and sufficient debate took place around key issues. The results of this evaluation were entirely satisfactory. The overall conclusion reached was that the Board and its Committees had operated satisfactorily during the year, with all directors making an effective contribution to the Board commensurate with their experience and responsibilities.

However, the process highlighted that further consideration should be given to the balance of skills on the Board given the Company's operations and medium-term objectives, particularly in the area of digital strategy. It was therefore agreed that a further discussion be held on the matter at the forthcoming Board Strategy Day.

### Board Balance

The Board comprised four executive directors and five non-executive directors at the year-end. Julian Schild acted as the Company's Deputy Chairman and Senior Independent Non-Executive Director until the Company's AGM on 23 July 2020. Beatrice Hollond took on the role of Senior Independent Non-Executive Director from the Company's AGM on 23 July 2020.

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

Name of Director	Remuneration Committee	Audit Committee	Nomination Committee
Charles Wigoder	-	-	✓
Julian Schild*	-	Chair	-
Andrew Lindsay	-	-	-
Nick Schoenfeld	-	-	-
Stuart Burnett	-	-	-
Andrew Blowers*	Chair	✓	-
Beatrice Hollond*	✓	✓	Chair
Melvin Lawson	-	-	-
Suzi Williams*	✓	-	✓

\* indicates independent non-executive directors

The Code sets out circumstances which are likely to impair, or could appear to impair, a non-executive director's independence. These circumstances include serving on the board for more than nine years from the date of appointment. Julian Schild was appointed to the Board in May 2010 and has therefore served over nine years as a director. Nonetheless, the Board considers that the independence of Mr Schild has not been negatively impacted by his long service on the Board and that he continues to provide robust and constructive challenges to the executive directors on a regular basis by using his long-established knowledge of the Company and extensive previous experience as an executive director of a listed company. Furthermore, none of the other circumstances listed in the Code as potentially impacting independence apply to Mr Schild. However, in the light of his long service on the Board, Mr Schild stepped down from his role as non-executive Deputy Chairman and from his memberships of the Remuneration

Committee and Nomination Committee at the Company's AGM in July 2020. Mr Schild has continued as Chairman of the Audit Committee given his relevant accounting experience and knowledge of the business.

### **Board Diversity**

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

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

Further detail regarding the Company's position in relation to encouraging diversity within all layers of the organisation is set out in the 'People and Organisation' section of the Strategic Report on pages 31 to 34.

### **Executive Chairman and Chief Executive Officer**

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

The division of responsibilities between the Executive Chairman and Chief Executive has been set out in writing and agreed by the Board in accordance with the Code (provision 14).

### **Supply of Information**

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

### **Re-election**

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

However, the Code requires that all directors of FTSE 350 companies be subject to annual re-election by shareholders. Therefore, all the directors will be submitted for re-election at the forthcoming Annual General Meeting in July. Acknowledging the Code requirement for a particularly rigorous review in circumstances where non-executive directors' terms are being extended beyond six years, the Board has determined that all directors submitted for re-

election continue to make a valuable contribution to the commercial success of the Company, with each bringing a complementary range of skills to the team. In particular, and as referred to above, the Board has considered the long service of both Julian Schild and Melvin Lawson and has determined that they continue to provide an extremely valuable contribution to the Board as a result of their deep historic knowledge of the business and its operations.

### **Remuneration Committee**

The Board has a Remuneration Committee whose responsibility is to ensure that the remuneration of executive directors is sufficient to attract, retain and motivate people of the highest calibre. The Remuneration Committee comprises three independent non-executive directors, namely Andrew Blowers (Chairman of the Committee), Beatrice Hollond and Suzi Williams. The Directors' Remuneration Report, provides the details of the emoluments of each director, and this may be found on pages 60 to 79.

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

### **Audit Committee**

The Audit Committee comprises three independent non-executive directors, Julian Schild (Chairman of the Committee), Andrew Blowers and Beatrice Hollond in compliance with the Code (provision 24). The activities of the Audit Committee are set out on pages 56 to 59.

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

### **Nomination Committee**

The Nomination Committee comprises Beatrice Hollond (Chair of Committee), Suzi Williams and Charles Wigoder and therefore has a majority of independent non-executive directors in compliance with the Code (provision 17). The main purpose of the Nomination Committee is to make recommendations to the Board on the appointment of new directors.

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

The activities of the Nomination Committee are set out on page 55.

### **Relations with Shareholders**

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

develop a balanced understanding of the views of major investors. The executive directors met with a number of the Company's main shareholders during the year.

The Executive Chairman, Chief Executive and Chief Financial Officer also have periodic discussions with the Company's brokers and any issues are fed back to the Board as appropriate. When reports are received from the Company's brokers following investor presentations, these are submitted to the Board for review. Additionally, key representatives of the Company's brokers are periodically invited to present at a full Board meeting.

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

### **Annual General Meeting**

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

### **Internal Control**

The Board acknowledges its responsibility for the Group's systems of internal control and risk management. However, it recognises that any system can only provide reasonable, and not absolute, assurance against material misstatement or loss. The principal risks faced by the Company and the measures taken to address these risks are set out in the Strategic Report on pages 24 to 30.

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

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

## **Share Capital and Voting Rights**

Details of the Company's share capital and substantial shareholdings can be found in the Directors' Report under the capital structure and substantial shareholders sections on pages 82 to 83.

By Order of the Board

**David Baxter**

Company Secretary

18 June 2021

# Nomination Committee Report

## Introduction

The members of the Nomination Committee ("the Committee") are Beatrice Hollond (Chair), Suzi Williams and Charles Wigoder; this means that the Committee has a majority of independent non-executive directors in compliance with the UK Corporate Governance Code ("the Code") (provision 17).

The key responsibilities of the Nomination Committee include:

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

The Committee's general position in relation to diversity and the Code requirement to set out any measurable objectives that exist in this regard is included in the Corporate Governance Statement on page 51 of this document.

## The Committee's activities for the year ended 31 March 2021

Committee matters were discussed formally as part of certain full Board meetings.

The Committee's principal activity during the year related to completing the appointments of Suzi Williams and Stuart Burnett to the Board following the Company's AGM in July, as detailed in the prior year Annual Report.

Also, as highlighted in the Corporate Governance Statement, the Board evaluation process highlighted that further consideration should be given to the balance of skills on the Board given the Company's operations and medium-term strategic objectives, particularly in the area of digital strategy. It was therefore agreed that a further discussion be held on the matter at a forthcoming Board Strategy Day.

The Committee looks forward to reporting on the outcome of these discussions in due course.

## Beatrice Hollond

Chair of the Nomination Committee  
On behalf of the Board  
18 June 2021



# Audit Committee Report

## Introduction

In accordance with the UK Corporate Governance Code ("the Code") (provision 24) the Committee comprises three independent non-executive directors Julian Schild (Chairman), Beatrice Hollond and Andrew Blowers. Julian Schild is also identified as having recent and relevant financial experience.

## The Audit Committee

Attendance at Committee meetings during the current year by Committee members is set out in the Corporate Governance Report on page 49 of this document. In accordance with best practice, the Committee has the opportunity to meet with the external auditor of the Company without the presence of any executive directors and has done so during the current year. The Chairman of the Committee has also had direct contact with the Audit Partner during the year.

The key responsibilities of the Committee include:

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

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

## The Committee's activities for the year ended 31 March 2021

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

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

Issue	Action taken by the Committee
Operational accuracy of billing system	Review of internal analysis and external auditor procedures.  Monitoring of regulator communications (Ofgem, BABT) and monthly monitoring of detailed call

	centre statistics which would indicate significant billing issues.
Revenue recognition in relation to energy services	Monitoring of key assumptions underlying the recognition of energy revenues based on internal analysis.
Estimation related to Expected Credit Losses	Review of key assumptions underlying the estimations related to Expected Credit Losses.

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

In accordance with the Code (provision 25), the Audit Committee has also considered the need for an internal audit function at the Company. In the light of the simplicity of the Group structure, its single country focus, its relatively straightforward financial model, the internal controls in place and the fact that management and the Board conduct regular financial reviews, the Committee has recommended to the Board that a financial internal audit function is not currently appropriate for the business. This decision will be kept under regular review and where appropriate extended assurance will also be sought in specific areas of concern. Furthermore, during the year the Company has continued to strengthen the Finance department with a focus on improving departmental visibility and control.

During the year the Audit Committee reviewed and approved the Company's half year and annual financial statements. The Committee has advised the Board that the annual report and accounts taken as a whole provide a fair, balanced and understandable picture of the Company's position and performance, business model and strategy.

### **External auditor effectiveness**

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

In reaching this conclusion, the Committee assessed:

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

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

KPMG LLP was first appointed as the Group's auditor with effect from February 2015, following a competitive tender process.

### **External auditor independence**

In order to guard against the objectivity and independence of the external auditor being compromised, the provision of any significant additional services remains subject to the prior approval of the Audit Committee.

The Committee would normally be likely to prohibit the provision of the following types of non-audit related work by the Company's external auditor:

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

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

### **Communications with the FRC**

In January 2021, the Company received a letter from the Financial Reporting Council ("FRC") Corporate Reporting Review Team following a review of the 2020 Annual Report and Accounts. The letter included queries principally related to various disclosures in the notes to the 2020

Annual Report and Accounts, with no issues raised in terms of the Group's key accounting policies and judgements.

The FRC also highlighted that the impairment loss on trade receivables should be separately disclosed on the face of the Consolidated Statement of Comprehensive Income. Previously it was included within administrative expenses. This balance is now shown separately with no impact on profit.

As a result of the FRC's review certain disclosures in the notes to the financial statements have been enhanced to provide greater clarity for readers of the Annual Report and Accounts. The FRC closed its enquiry in May 2021. The FRC's review was based on the annual report and accounts and did not benefit from detailed knowledge of the business or an understanding of the underlying transactions entered into. It was, however, conducted by staff of the FRC who have an understanding of the relevant legal and accounting framework. Please note that the review carried out by the FRC provides no assurance that the Annual Report and Accounts were correct in all material respects. The FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

### **Reporting of staff concerns**

During the year Melvin Lawson, a long-standing non-executive director, was the primary point of contact for staff of the Company to raise, in confidence, concerns they may have over possible improprieties, financial or otherwise. All employees have been notified of this arrangement in the Staff Handbook and on the Company's intranet website which sets out Melvin Lawson's contact details (Code provision 6). No such matters were raised by employees during the current year.

The Company has recently established an independently-facilitated whistleblowing system which has replaced the above process.

### **Julian Schild**

Chairman of the Audit Committee  
On behalf of the Board  
18 June 2021

# Directors' Remuneration Report

## Annual Statement

Dear Shareholder,

As chair of the Remuneration Committee ("Committee") and on behalf of the Board, I am pleased to present our report on Directors' remuneration for the year ended 31 March 2021.

The report comprises three sections:

- This statement, which provides an overview of the key decisions made on Directors' remuneration during the year.
- The Annual Report on Remuneration, which describes how our Directors' Remuneration Policy ("Policy") was applied for the year ended 31 March 2021.
- A summary of the Policy which was first approved by shareholders at the July 2019 Annual General Meeting, with subsequent amendments approved by shareholders at the December 2020 General Meeting (pages 63 to 70).

## Policy review

While the majority of shareholders have been supportive of our executive remuneration structure in recent years, we were cognisant of concerns raised by some shareholders. The Committee therefore completed a review of the executive remuneration structure during 2020 and consulted with major shareholders as part of the process. The objectives being to simplify the incentive structure, adopt good governance practices in a commercial and pragmatic way, and ensure that executives are incentivised to deliver on critical annual priorities as well as generating long term sustainable growth.

The following amendments to the Policy were approved at the December 2020 General Meeting with over 95% of shareholders voting in favour of the resolution:

- Confirming the use of an executive annual bonus award with deferral for the year ended 31 March 2021 and subsequent years. Removal of the discretion to award ad-hoc cash bonuses to executives.
- Removal of the flexibility to carry forward or carry back unused incentive limits.
- A 50% reduction in the potential number of shares that may vest under the existing growth share plan.
- Restriction of executive pension opportunity to the level available to the majority of the wider workforce.
- Introduction of post-employment shareholding guidelines.

Further details are provided on pages 10 to 19 and in the Notice of December 2020 General Meeting (available at [www.telecomplus.co.uk](http://www.telecomplus.co.uk)).

## Performance outcomes for the year ended 31 March 2021

Resilient performance has been demonstrated across all aspects of the business despite the challenges of covid. The Group has delivered adjusted pre-tax profits in line with expectations and the balance sheet remains robust. The business remains well positioned to build shareholder value over both the near and longer term.

The CEO, CFO and COO were granted a maximum bonus opportunity equal to 150%, 67.5% and 135% of salary respectively for the year ended 31 March 2021. The CFO's maximum bonus opportunity was set at 67.5% of salary to reflect his salary positioning compared to other FTSE 250 companies of a similar size and scale to the Company.

70% of the bonus was subject to adjusted Profit Before Tax ('adjusted PBT') performance and the remaining 30% subject to certain strategic objectives.

The Group delivered adjusted PBT of £56.1m which resulted in an outcome of 40.6% (against a maximum of 70%) for the adjusted PBT element. Performance against strategic objectives (which focussed on service growth, Partner activity and smart meter installation performance) resulted in an outcome of 22% (against a maximum of 30%) for the strategic element. See page 72 for further details. The executives therefore earned a bonus equal to 62.6% of the maximum opportunity. One-third of the bonus earned will be deferred into shares for two years.

The Committee carefully considered the bonus outcome and determined it to be appropriate taking into account underlying business performance and the experience of shareholders and employees during the year. In particular, the following factors were noted:

- The final dividend for the year ended 31 March 2020 was paid, resulting in a total dividend of 57p per share for the year. A total dividend of 57p per share is also expected for the year ended 31 March 2021.
- The Group quickly implemented a working from home model following the start of the covid pandemic, using the secure and robust technology infrastructure it has built. This has enabled the business to continue largely 'as usual' from a customer perspective.

No long-term incentive growth shares awards were capable of vesting during the year ended 31 March 2021.

## **Board changes**

In order to further strengthen the Board, Stuart Burnett, the Group's COO, was appointed as an Executive Director with effect from 23 July 2020. Stuart's annual salary was set at £420,000 per annum. The Committee took into account that Stuart was stepping up into the role of an executive director and the salary positioning of similar roles within peer companies when determining the salary positioning.

## **Implementation of the Remuneration Policy for the year ending 31 March 2022**

### **Base salaries and fees**

The Executive Chairman, CEO, CFO and COO received salary increases of 1.0% effective from 1 April 2021 in line with the average cost of living increases for all employees.

The non-executive directors also received an increase in their fees of 1.0% effective from 1 April 2021.

### **Annual bonus**

The maximum bonus opportunity remains at 150%, 67.5% and 135% of salary for the CEO, CFO and COO respectively. 70% of the bonus is subject to adjusted PBT performance and the remaining 30% subject to strategic objectives (based on service growth, Partner activity and the strategic development of financial services).

The Committee has discretion to adjust the payment outcome if it is not deemed to reflect the underlying financial or non-financial performance of the business, the performance of the individual or the experience of shareholders and other stakeholders over the performance period. In any case, the strategic element of the bonus will only pay-out if a threshold level of adjusted PBT is achieved. Full disclosure of the adjusted PBT targets and strategic metrics will

be included in next year's Directors' Remuneration Report. One-third of any bonus earned is deferred into shares for two years.

### **Conclusion**

I trust the information presented in this report enables our shareholders to understand both how we have operated our Policy over the year and the rationale for our decision making. We believe that the Policy operated as intended and we consider that the remuneration received by executive directors during the year was appropriate taking into account Group and personal performance, and the experience of shareholders and employees.

I look forward to receiving your support at the July 2021 Annual General Meeting, where I will be available to respond to any questions shareholders may have on this report or in relation to any of the Committee's activities.

### **Andrew Blowers OBE**

Chairman of the Remuneration Committee  
18 June 2021

# Remuneration Policy

## Remuneration Committee

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

The Committee met formally four times during the year and details of attendance at these meetings are provided in the Corporate Governance Statement on page 49.

The Committee's principal activities during the year included:

- completing a review of the executive remuneration structure resulting in amendments to the Policy, and the implementation of a new deferred share bonus plan approved by shareholders;
- reviewing and approving executive director remuneration packages;
- monitoring senior management remuneration packages; and
- reviewing and approving the issue of share options to certain employees.

## Remuneration Policy introduction

The Company's overall remuneration policy is to ensure that the executive directors and other senior managers are fairly and responsibly rewarded for their individual contribution to the overall long-term performance of the Company, in a manner that ensures that the Company is able to attract, motivate, and retain executives of the quality necessary to ensure the successful long-term performance of the Company. The remuneration policy continues to be based on the principle that the fortunes of the directors and senior management should be aligned with those of external shareholders. The remuneration policy also takes into account the principles of clarity, simplicity, risk, predictability, proportionality and alignment to culture as set out in Provision 40 of the UK Corporate Governance Code.

The Directors Remuneration Policy was originally approved by the Company's shareholders at the AGM on 25 July 2019, with amendments approved by shareholders at a general meeting on 16 December 2020. It will apply until July 2022. The key sections of the Directors' Remuneration Policy are set out on pages 63 to 70.

## Remuneration Policy Table

How component supports strategic objectives	Operation of component	Maximum potential value of component	Performance metrics used, weighting and time periods
<i>Base Salary</i>			
To recognise status and responsibility to deliver operational strategy on a day-to-day basis.	Base salary is paid in 12 equal monthly instalments during the year.	Increases normally for inflation and in line with other employees, or in order to ensure that base salaries properly reflect the size, complexity and growth rate of the	None, although overall performance of the individual is considered by the Committee when



	Base salaries are reviewed annually with any changes effective from 1 April each year, and also (where relevant) to reflect changes in the responsibilities of each individual.	Company relative to other FTSE companies.  Increases may also reflect any change in the level of responsibility of the individual (whether through a change in role or an increase in the scale and/or scope of the activities carried out by the Company) or an increase in experience and knowledge of the Company and its markets.	setting and reviewing salaries.
<b>Benefits</b>			
To provide benefits commensurate with the role and market practice.	<p>The Company pays for private healthcare for each director and their immediate family.</p> <p>The Company provides company cars for executive directors where appropriate.</p> <p>The Company provides death in service benefits up to a maximum of four times annual base salary (subject to prevailing policy caps).</p> <p>The Committee reserves the right to introduce other benefits should this be necessary to attract and/or retain key executive directors.</p> <p>In relation to new directors the Company will pay for reasonable relocation expenses where required.</p>	Market cost of the provision of private healthcare, company cars and other benefits as applicable from time to time.	None.
<b>Annual Bonus</b>			
To incentivise the annual delivery of financial and strategic priorities.	<p>Bonus payment is dependent on the achievement of performance measures.</p> <p>One-third of any bonus earned is deferred into shares for two years subject to continued employment.</p> <p>The Committee may decide to pay the entire bonus in cash where the amount to be deferred into shares would, in the opinion of the Committee, be so small it is administratively burdensome to apply deferral.</p> <p>Dividends will not accrue on deferred shares prior to vesting.</p> <p>The Committee has discretion to adjust the payment outcome if it is not deemed to reflect the underlying financial or non-financial performance of the Company, the performance of the individual or the experience of shareholders or other stakeholders over the performance period.</p>	Maximum opportunity of up to 150% of base salary may be awarded in respect of a financial year.	<p>Targets are set annually reflecting the Company's financial and strategic priorities.</p> <p>At least 70% of the annual bonus is assessed against financial performance metrics. The balance is assessed against non-financial strategic/personal objectives.</p> <p><b>Financial metrics</b> Up to 25% of each bonus element will vest for threshold performance, with full vesting for maximum performance.</p> <p><b>Non-financial metrics</b> Non-financial metrics Vesting will apply on a scale between 0% and 100% based on the Committee's assessment of performance against objectives.</p>

	Annual bonus payments are subject to clawback provisions for up to two years following payment. Deferred share awards are subject to clawback provisions during the two-year deferral period. Clawback may apply in the following circumstances: gross misconduct of the participant; material error or misstatement in the accounts; grant or vesting of annual bonus awards being found to be incorrect due to misleading or inaccurate information; serious reputational damage; material corporate failure.		
<b>Share Incentive Schemes</b>			
To directly align the directors' interests with those of all other shareholders.	<p>Issue of share incentives at market price on the date of grant which provide direct and transparent exposure to the Company share price for the director ("Share Incentive Schemes").</p> <p>Share Incentive Schemes include HMRC approved share option awards, and unapproved share option awards.</p>	<p>Maximum grant value equivalent to 200% of salary per annum, assuming that no annual cash bonus has been awarded during that year.</p> <p><b>Share Incentive Schemes</b></p> <p>Grants made periodically, with awards vesting over 3 to 7 years.</p> <p>Grant value of share incentives to be determined in accordance with FRC Reporting Lab guidance issued in March 2013, i.e. share options to be valued at one third of the market value of the shares under option.</p> <p>Vesting is dependent on service and the achievement of performance conditions.</p> <p>30% vests at threshold performance.</p>	<p><b>Share Incentive Schemes</b></p> <p>Service and performance conditions must be met over the vesting period, weighted average of three performance measures typically used for Chief Executive and Chief Financial Officer:</p> <ul style="list-style-type: none"> <li>Adjusted EPS growth</li> <li>TSR growth</li> <li>Service number growth</li> </ul> <p>Weighting of each measure to be determined by the Committee and dependent on each director's role and strategic responsibility.</p> <p>The Committee also retains the ability to amend the performance conditions for future grants to ensure that they appropriately reflect the strategic responsibilities of the director concerned.</p> <p>The Committee may require forfeiture of shares comprised in an award in the event of a material error or misstatement in the accounts, or a material failure in risk management ("Malus and Clawback").</p> <p>The Company has the right to reduce or withhold the value that would otherwise accrue</p>

			<p>under the Share Incentive Schemes prior to exercise/ conversion (malus) or after exercise/conversion (clawback) in certain circumstances including:</p> <ul style="list-style-type: none"> <li>(i) Gross misconduct of the participant;</li> <li>(ii) Material error or misstatement in the accounts; or</li> <li>(iii) Grant or vesting of awards being found to be incorrect due to misleading or inaccurate information.</li> </ul>
<b>Pension</b>			
To provide funding for retirement.	Defined contribution pension scheme open to all employees and executive directors.	The percentage level of pension provision for executive directors will not exceed the highest percentage contribution rate available to a majority of employees.	None.
<b>Shareholding Requirement</b>			
To strengthen the long-term alignment of directors' interests with those of all shareholders.	Shareholding requirement policy is primarily derived from the issue of shares resulting from the exercise of awards made under the Share Incentive Schemes, the Deferred Share Bonus Plan and existing awards made under the LTIP 2016.	<p>Executive directors are expected to progressively build and retain a shareholding in the Company worth 200% of basic salary over a maximum of 10 years; until such time as they have achieved this level, they are required to: (i) retain all the shares vesting to them under the Deferred Bonus Plan (other than to settle associated tax liabilities on vesting); and (ii) retain not less than 25% of any shares issued to them under the LTIP 2016 or any other long-term incentive plan operated by the Company from time to time.</p> <p>Under LTIP 2016, in relation to the 25% blocks of their award which vest after 3, 5 or 7 years, participants are required to retain 50% of any shares they choose to convert for at least 12 months. In relation to the final 25% block which vests after 10 years, they are obliged to retain 75% for 12 months, 50% for 18 months, and 25% for 24 months.</p> <p>The above holding periods continue to apply to participants after they cease to be employed by the Company; shares issued in future under any other long-term incentive plan will be subject to similar restrictions.</p>	N/A

		<p>Future share awards to directors will be made subject to a post-vest holding period.</p> <p><b>Post-employment</b> Executive directors who step down from the Board following 16 December 2020 are required to retain a holding in 'guideline shares' equal to:</p> <ul style="list-style-type: none"> <li>• 200% of salary (or their actual shareholding at the point of departure if lower) for the first 12 months following stepping down as executive director.</li> <li>• 100% of salary (or their actual shareholding at the point of departure if lower) for the subsequent 12 months.</li> </ul> <p>'Guideline shares' do not include shares that the executive director has purchased or which have been acquired pursuant to share awards which vested before 16 December 2020. Unless the Committee determines otherwise, an executive director or former executive director shall be deemed to have disposed of shares which are not 'guideline shares' before 'guideline shares'.</p>	
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Whilst no further grants will be made under the LTIP 2016, existing awards already made under the LTIP 2016 will remain in place and may vest in accordance with the previously agreed terms and conditions. The awards will remain in place until they expire in August 2026.

### Service contracts and policy for payment for loss of office

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

Standard provision	Policy	Details	Other provisions in service contracts
Notice periods in executive directors' service contracts.	<p>6 - 12 months' notice from the Company.</p> <p>6 - 12 months' notice from the executive director.</p>	<p>Executive directors may be required to work during notice period or may be provided with pay in lieu of notice if not required to work full notice.</p> <p>All executive directors are subject to annual re-election by shareholders.</p>	N/A
Compensation for loss of office in service contracts.	No more than base salary, benefits and pension contributions for the period of the executive director's notice.	Any statutory entitlements or sums to settle or compromise claims in connection with any termination of office would need to be paid as necessary, subject to the fulfilment of	N/A

	No contractual provision for additional compensation in the event of loss of office resulting from poor performance.	the director's duty to mitigate their loss.	
Treatment of unvested annual bonus awards	The payment of a bonus will be at the discretion of the Committee on an individual basis and will be dependent on a number of factors, including the circumstances of the individual's departure and contribution to the business during the financial year.	Unless the Committee determines otherwise, any bonus payment will be paid at the usual time following the determination of performance metrics and be subject to a pro rata reduction for time served during the performance period.	N/A
Treatment of unvested deferred share bonus awards	<p>The extent to which any unvested award will vest will be determined in accordance with the rules of the Deferred Bonus Plan.</p> <p>Unvested awards will normally lapse on cessation of employment. However, if an executive director leaves under "good leaver" provisions the awards will remain capable of vesting.</p>	<p>For a "good leaver", awards will ordinarily vest at the normal vesting date. In exceptional circumstances, the Committee may decide that the executive director's deferred share awards will vest at the date of cessation of employment.</p> <p>In either case, the extent of vesting will be determined by the Committee taking into account, unless the Committee determines otherwise, the period of time elapsed from the grant date to the date of cessation of employment relative to the deferral period.</p>	N/A
Treatment of unvested Share Incentive Scheme and LTIP 2016.	<p><b>Share Incentive Schemes</b></p> <p>All awards lapse except for "good leavers": i.e. death, injury, disability, redundancy, retirement or where the employing company or the company with which the office is held ceases to be a member of the Group or the transfer of employment out of the Group by reason of the Transfer of Undertakings (Protection of Employment) Regulations 2006.</p> <p><b>LTIP 2016</b></p> <p>All awards lapse except for "good leavers": i.e. death, or where the employing company or the company with which the office is held ceases to be a member of the Group or the transfer of employment out of the Group by reason of the Transfer of Undertakings (Protection of Employment) Regulations 2006.</p> <p>In the event of injury, disability, retirement or redundancy, the Committee may exercise its</p>	<p><b>Share Incentive Schemes</b></p> <p>A "good leaver" may exercise any subsisting share options within the period of 6 months from the date of cessation of employment.</p> <p>If a participant ceases to be employed within the Group otherwise than as a "good leaver", no unvested share options held shall be exercisable after the date of such cessation unless the Committee in its absolute discretion (provided that such discretion must be exercised fairly and reasonably) so decides but for a period of not more than 12 months from the date of cessation. The Committee considers it unlikely that such discretion would be used in the event of a participant ceasing to be employed by the Company as a "bad leaver".</p> <p><b>LTIP 2016</b></p> <p>If a participant in the LTIP 2016 ceases to be employed within the Group otherwise than as a "good leaver", any unvested awards will be forfeited. Any growth shares which have vested but not been converted, must be converted within 14 days of the end of their employment otherwise they will be forfeited; the conversion ratio shall</p>	N/A

	discretion to classify the participant as a "good leaver".	be based on the average share price for the 30 working days immediately preceding the date on which conversion takes place.  If a participant in the LTIP 2016 is a "good leaver", then he shall be entitled to the benefit of any shares that have become convertible prior to the date of leaving, and such shares shall be converted (at the option of the employee) either within 14 days of the termination of their employment (in which case the conversion ratio shall be based on the average share price for the 30 working days immediately preceding the date on which conversion takes place), or during the next annual vesting period using the criteria which apply on that date.	
Exercise of discretion.	Discretion to be used only in exceptional circumstances.	The Committee will take into account the recent performance of the director and the Company, and the nature of the circumstances around the executive director's departure.	N/A
Non-executive Directors.	Non-executive directors are appointed for an initial term of one year which is then reviewed by the Board on annual basis thereafter.	Non-executive directors are all subject to annual re-election by shareholders at the Company's AGM each year.  Non-executive directors have a three month notice period and there is no provision for compensation if required to stand down.	Non-executive directors have the right to seek independent professional advice at the expense of the Company in the pursuance of their duties.

### Approach to recruitment remuneration

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

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

granted to them prior to becoming a director which is inconsistent with the remuneration policy set out above.

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

#### **Non-executive directors' fees policy**

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

#### **Statement of consideration of shareholder views**

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

#### **Statement of consideration of employment conditions elsewhere in the group**

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

The Company does not deem it appropriate to formally consult with employees regarding the determination of the directors' remuneration policy. However, employees have the opportunity to make comments on any aspect of the Company's activities through an employee survey and any comments made which are relevant to directors' remuneration would be considered by the Committee.

# Annual Report on Remuneration

## Single Total Figure of Remuneration

### Year ended 31 March 2021 (audited)

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

	Salary & Fees £'000	Annual bonus <sup>2</sup> £'000	Taxable Benefits £'000	Pension Contributions £'000	Total £'000	Total fixed	Total variable
Charles Wigoder	471	-	-	-	471	471	-
Andrew Lindsay	583	548	6	4	1,141	593	548
Nick Schoenfeld	583	246	6	4	839	593	246
Stuart Burnett <sup>1</sup>	288	355	5	3	651	296	355
Andrew Blowers	45	-	2	-	47	47	-
Beatrice Hollond	45	-	-	-	45	45	-
Melvin Lawson	12	-	-	-	12	12	-
Julian Schild	45	-	-	-	45	45	-
Suzi Williams <sup>1</sup>	31	-	-	-	31	31	-
	2,103	1,149	19	11	3,282	2,133	1,149

1. Appointed to the Board on 23 July 2020.

2. One third of the bonus is deferred into shares in accordance with the rules of the DBP (see page 64)

### Year ended 31 March 2020 (audited)

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

	Salary & Fees £'000	Taxable Benefits £'000	Pension Contributions £'000	Total £'000	Total fixed £'000	Total variable £'000
Charles Wigoder	461	-	-	461	461	-
Andrew Lindsay	566	18	10	594	594	-
Nick Schoenfeld	566	6	10	582	582	-
Andrew Blowers	45	3	-	48	48	-
Beatrice Hollond	45	-	-	45	45	-
Melvin Lawson	12	-	-	12	12	-
Julian Schild	45	-	-	45	45	-
	1,740	27	20	1,787	1,787	-

### Salary and benefits (audited)

The Committee awarded increases to the annual base salaries of the Executive Chairman, Chief Executive and Chief Financial Officer with effect from 1 April 2020 as follows:

- Charles Wigoder - increased from £461,416 to £470,644;



- Andrew Lindsay - increased from £565,667 to £582,980; and
- Nick Schoenfeld - increased from £565,667 to £582,980.

The underlying increases were set taking into account the Company's average cost of living increase for all employees of 2.0% and reductions to the pension contributions of Messrs Lindsay and Schoenfeld.

Stuart Burnett's annual salary was set at £420,000 per annum on his appointment as an executive director. The Committee took into account that he was stepping up into the role of an executive director and the salary positioning of similar roles within peer companies when determining his salary.

The amounts relating to taxable benefits received mainly include the provision of private health insurance and motor vehicles to the directors.

### **Annual bonus (audited)**

The maximum bonus opportunities for each executive director for the year ended 31 March 2021 were as follows:

Andrew Lindsay	150% of base salary
Nick Schoenfeld	67.5% of base salary
Stuart Burnett	135% of base salary

The maximum opportunity for Nick Schoenfeld was set at 67.5% to reflect his salary positioning compared to other FTSE 250 companies of a similar size and scale to the Company.

The awards were granted subject to financial and non-financial strategic objectives. 70% of the bonus was based on adjusted PBT performance. The PBT targets were set by reference to multiple factors, including internal budgeting and broker forecasts. The threshold and maximum targets are set out in the table below, with vesting on a sliding scale between these targets:

	Weighting % of bonus	Threshold (20% of maximum)	Maximum	Actual	Payable (% of maximum)
FY21 Adjusted PBT	70%	£50.0m	£69.0m	£55.2m	40.6%

The Company's headline adjusted profit before tax of £56.1m has been reduced to £55.2m for the purposes of determining the payable percentage. This reflects the structure of the calculation of adjusted PBT for the purposes of the bonus after the deduction of certain pre-agreed commercially sensitive items.

The remaining 30% of the bonus was subject to strategic objectives and any pay-out under this element was subject to achieving the threshold PBT target.

Strategic objective	Detail	Weighting % of bonus	Threshold	Maximum	Actual	Payable (% of maximum)
Service number growth	Annual growth in core services	10%	1%	12%	2.5%	3.5%
Partner productivity	Monthly number of active Partners (average)	10%	2,636	3,030	3,001	8.5%
Smart meter rollout for FY21	Performance vs peer group, determined by reference to BEIS quarterly reports	10%	N/A	Above upper quartile	Above upper quartile	10%
Total						22%

The executives therefore earned a bonus equal to 62.6% of the maximum opportunity. The Committee carefully considered the bonus outcome and determined it to be appropriate taking into account underlying business performance and the experience of shareholders and employees during the year (as noted in the Annual Statement on page 61).

One-third of the bonuses earned will be deferred into shares for two years under the rules of the Deferred Share Bonus Plan.

#### **Long-term incentives (audited)**

##### *Vesting of long-term incentive awards*

No long-term incentive awards were capable of vesting during the year ended 31 March 2021.

##### *Long term incentive awards granted during the year*

No long-term incentive awards were granted during the year ended 31 March 2021.

#### **Payments to past directors (audited)**

There were no payments to past directors during the year.

#### **Payment for loss of office (audited)**

There were no payments for loss of office made to directors during the year.

#### **Statement of Directors' Shareholding and Share Interests (audited)**

The interests of the directors and their connected persons in the Company's ordinary shares as at 31 March 2021 were as set out below. There have been no changes to those interests between 31 March 2021 and the date of this report.

	Beneficially held	LTIP 2016 - growth shares	SAYE Scheme	Share options	Shareholding (as a % of salary) <sup>1</sup>
Charles Wigoder	9,419,759	-	1,727	-	24,999%

Andrew Lindsay	359,149	15,000	-	-	770%
Nick Schoenfeld	7,951	15,000	-	-	17%
Stuart Burnett	-	7,500	-	75,000	0%
Andrew Blowers	-	-	-	-	N/A
Beatrice Hollond	1,800	-	-	-	N/A
Melvin Lawson	1,436,744	-	-	-	N/A
Julian Schild	189,932	-	-	-	N/A
Suzi Williams	-	-	-	-	N/A

1. Based on a share price of 1,250p being the closing mid-market share price on 31 March 2021. The Committee has adopted a shareholding guideline which requires the executive directors to build up and maintain a shareholding of at least 200% of salary. See page 66 for further details.

### Share interests (audited)

Details of the share awards held by or granted to directors during the year are set out in the table below (further details on the estimated cost of these awards are set out in note 20 to the financial statements):

	1 April 2020	Granted	Lapsed	31 March 2021	Exercise price per share	Exercisable from	Expiry date
Charles Wigoder <i>SAYE Scheme</i>							
23 August 2018	1,727	-	-	1,727	1042p	1 Nov 21	30 Apr 22
Andrew Lindsay <i>LTIP 2016 – growth shares</i>							
4 April 2017	7,500	-	3,750	3,750	n/a	1 Aug 19	31 Aug 26
4 April 2017	7,500	-	3,750	3,750	n/a	1 Aug 21	31 Aug 26
4 April 2017	7,500	-	3,750	3,750	n/a	1 Aug 23	31 Aug 26
4 April 2017	7,500	-	3,750	3,750	n/a	1 Aug 26	31 Aug 26
Nick Schoenfeld <i>LTIP 2016 – growth shares</i>							
4 April 2017	7,500	-	3,750	3,750	n/a	1 Aug 19	31 Aug 26
4 April 2017	7,500	-	3,750	3,750	n/a	1 Aug 21	31 Aug 26
4 April 2017	7,500	-	3,750	3,750	n/a	1 Aug 23	31 Aug 26
4 April 2017	7,500	-	3,750	3,750	n/a	1 Aug 26	31 Aug 26
Stuart Burnett <i>LTIP 2016 – growth shares</i>							
4 April 2017	3,750	-	1,875	1,875	n/a	1 Aug 19	31 Aug 26
4 April 2017	3,750	-	1,875	1,875	n/a	1 Aug 21	31 Aug 26
4 April 2017	3,750	-	1,875	1,875	n/a	1 Aug 23	31 Aug 26
4 April 2017	3,750	-	1,875	1,875	n/a	1 Aug 26	31 Aug 26
<i>Share options</i>							
22 July 2016	50,000	-	-	50,000	1047p	22 Jul 19	21 Jul 26

25 July 2019	33,334	-	25,000	8,334	1342p	25 Jul 22	24 Jul 29
25 July 2019	33,333	-	25,000	8,333	1342p	25 Jul 24	24 Jul 29
25 July 2019	33,333	-	25,000	8,333	1342p	25 Jul 26	24 Jul 29

As noted in the Annual Statement on page 60, as part of the Policy review, there was a 50% reduction in the potential number of growth shares that may vest for Messrs Lindsay, Schoenfeld and Burnett, and share options that may vest for Mr Burnett.

#### *LTIP 2016*

Performance measures and targets for the LTIP 2016 Award are detailed in the 2019 Annual Report and Accounts on page 69.

### **Terms of engagement**

The executive directors are engaged under rolling contract of services and requires 12 months' notice of termination on either side for Mr Wigoder and 6 months' notice of termination on either side for Messrs Lindsay, Schoenfeld and Burnett. The dates of the executive directors' service agreements are as follows:

	<b>Date of service agreement</b>
Charles Wigoder	5 May 2011
Andrew Lindsay	5 May 2011
Nick Schoenfeld	9 October 2014
Stuart Burnett	23 July 2020

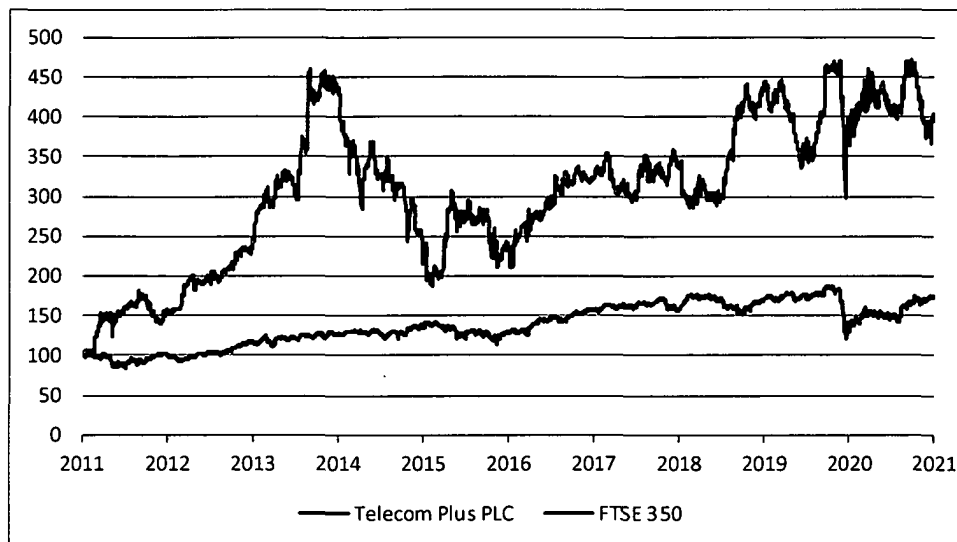
All non-executive directors are subject to re-election at each AGM. The appointment of the non-executive directors may be terminated on either side on three months' notice. The dates of each non-executive director's appointment are as follows:

	<b>Date of service agreement</b>
Beatrice Hollond	26 September 2016
Andrew Blowers	2 November 2016
Melvin Lawson	27 September 2006
Julian Schild	25 May 2010
Suzi Williams	23 July 2020

Copies of the service contracts and letters of appointment are held at the Company's Registered Office and will be available for inspection within normal business hours / at the Annual General Meeting, subject to any covid-related restrictions.

## Performance Graph showing Total Shareholder Return

The following graph shows the Company's performance measured by total shareholder return compared with the FTSE 350 Index for the period 1 April 2011 to 31 March 2021. The FTSE 350 Index has been chosen as the Company is a comparator of this Index.



Source: Thompson Reuters Datastream

## Table of Historical Data

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

Year ended 31 March	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Single figure of total remuneration £'000	1,150	399	432	2,175	2,017	523	555	581	594	1,141
Annual bonus (%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	62.6
Share incentives vesting (%)	N/A	N/A	N/A	100%	N/A	N/A	N/A	N/A	N/A <sup>1</sup>	N/A

- Although 7,500 growth shares under the LTIP 2016 vested to the Chief Executive during 2020, the minimum share price at which these are convertible into ordinary shares in the Company is £20 and this was not achieved during the period.

## Annual Percentage Change in Remuneration of directors and employees

The table below sets out the percentage change in each director's salary/fees, benefits and bonus between the years ended 31 March 2020 and 31 March 2021, compared to the average employee remuneration calculated on a full time equivalent basis.

	31 March 2020 to 31 March 2021		
	Salary & fees	Benefits	Bonus
Charles Wigoder	2.0%	N/A	N/A
Andrew Lindsay	3.1%	(66.7)%	N/A
Nick Schoenfeld	3.1%	0.0%	N/A
Stuart Burnett <sup>1</sup>	N/A	N/A	N/A
Andrew Blowers	0.0%	0.0%	N/A
Beatrice Holland	0.0%	N/A	N/A
Melvin Lawson	0.0%	N/A	N/A
Julian Schild	0.0%	N/A	N/A
Suzi Williams <sup>1</sup>	N/A	N/A	N/A
<b>Average employee</b>	4.5%	(0.1)%	(1.5)%

1. Appointed to the Board on 23 July 2020 and therefore the annual percentage change in remuneration is not applicable.

### Chief Executive pay ratio

The table below sets out the Chief Executive pay ratio, using the Chief Executive's single total remuneration as disclosed on page 71 to the comparable full-time equivalent total remuneration of the UK employees whose pay is ranked at the 25th percentile, median and 75th percentile.

The Company used Option A to calculate the ratios as this is the approach typically preferred by shareholders and proxy voting agencies. The remuneration figures for the employee at each quartile were calculated as at that the last day of the relevant financial year. Sensitivity analysis has been performed to ensure that the median and quartile employees are reasonably representative.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	A	38:1	22:1	16:1
2021	A	59:1	41:1	33:1

Pay details for the individuals in 2021 are set out below:

	CEO	25 <sup>th</sup> percentile (lower quartile)	50 <sup>th</sup> percentile (median)	75 <sup>th</sup> percentile (upper quartile)
Salary	£583,000	£18,800	£27,700	£33,800
Total remuneration	£1,141,500	£19,300	£27,700	£35,000

The result of the median pay ratio is in line with the Company's general policy to provide a competitive remuneration package so as to enable the attraction and retention of high calibre individuals at each level.

The increase in the ratios from 2020 to 2021 is mainly due to the implementation of the annual bonus scheme for executive directors including the CEO in 2021.

### Relative Importance of the Spend on Pay

Set out below is a summary of the Company's levels of expenditure on pay and other significant cash outflows to key stakeholders. No share buybacks were made during the years ended 31 March 2020 or 31 March 2021.

	<b>2021</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>	<b>Change</b> <b>%</b>
Wages and salaries	69,860	59,159	18.1%
Dividends	44,708	42,214	5.9%

### Statement of Implementation of Remuneration Policy for the financial year commencing 1 April 2021

Information on how the Company intends to implement the Remuneration Policy for the financial year commencing 1 April 2021 is set out in the Annual Statement on page 61.

### Advisers to the Committee

Wholly independent and objective advice on executive remuneration is received from the Committee's external advisers.

Deloitte were appointed as Remuneration Committee advisors in October 2020. Deloitte is one of the founding members of the Remuneration Consultants Group and is a signatory to its Code of Conduct. Fees paid to Deloitte for their services to the Remuneration Committee during the year, based on time and expenses, amounted to £19,250. Deloitte also provided advice to the Company during the year in relation to taxation and employee share plan matters.

### Shareholder Vote and Shareholder Engagement

As set out in the Remuneration Policy, the Committee encourages dialogue with the Company's major shareholders regarding remuneration matters and consulted with these shareholders ahead of the changes made to the remuneration policy in December 2020.

Details of the votes cast in relation to the main remuneration resolutions at last year's AGM in July 2020 are set out below:

	<b>2020 AGM</b>	<b>%</b>
<i>To approve the 2020 Remuneration Report</i>		
Votes cast in favour & Chairman discretion	45,955,916	80.40
Votes cast against	<u>11,206,653</u>	<u>19.60</u>
Total	<u>57,162,569</u>	<u>100.00</u>

In addition to the above there were 15,294 votes withheld.

Details of the votes cast in relation to the resolutions at the General Meeting held in December 2020 are set out below:

	<b>2020 GM</b>	<b>%</b>
<i>To approve the amendments to the Directors' Remuneration Policy</i>		
Votes cast in favour & Chairman discretion	51,620,500	95.57
Votes cast against	2,393,981	4.43
Total	<u>54,014,481</u>	<u>100.00</u>

In addition to the above there were 8,558 votes withheld.

	<b>2020 GM</b>	<b>%</b>
<i>To adopt the new Deferred Share Bonus Plan</i>		
Votes cast in favour & Chairman discretion	52,710,538	97.59
Votes cast against	1,301,000	2.41
Total	<u>54,011,538</u>	<u>100.00</u>

In addition to the above there were 11,501 votes withheld.

The Committee was very pleased with the strong support shown by shareholders for the approval of the amendments to the Remuneration Policy and adoption of the new Deferred Share Bonus Plan.

**Andrew Blowers OBE**

Chairman of the Remuneration Committee  
On behalf of the Board  
18 June 2021



## Directors' Report

The directors have pleasure in presenting their report and the audited financial statements for the year to 31 March 2021.

### Principal Activities and Business Review

The Company's principal activity is to act as a holding company. The Company is incorporated and domiciled in England and Wales. The list of its subsidiaries is set out on pages 125 to 126. A full review of the development of the business is contained in the Strategic Report on pages 2 to 44. A summary of the financial risk management objectives and policies is contained in note 21 to the financial statements. Environmental matters, including greenhouse house gas emissions are set out in the Sustainability Report on pages 35 to 44.

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

### Results and Dividends

The profit for the year after tax of £32,559,000 (2020: £35,760,000) has been transferred to reserves. An interim dividend of 27p per share (2020: 27p) was paid during the year. A final dividend of 30p per share (2020: 30p per share) is proposed. On 28 April 2021 the Board announced that it expected adjusted profit before tax from continuing activities to be around £56 million for the year ended 31 March 2021. The actual adjusted profit before tax for the year ended 31 March 2021 was £56.1 million (see Financial Review page 21).

### Directors

The names of directors who served during the year and their interests, including those of their connected persons, in the share capital of the Company at the start and end of the year are set out in the table below. Details of the directors' share incentive awards are disclosed in the Directors' Remuneration Report on page 74.

	Ordinary 5p shares held at	
	31 March 2021	31 March 2020
Charles Wigoder	13,512,442	16,012,442
Julian Schild*	189,932	189,932
Andrew Lindsay	359,149	359,149
Nick Schoenfeld	7,951	7,951
Stuart Burnett	-	N/A
Andrew Blowers*	-	-
Beatrice Hollond*	1,800	1,800
Melvin Lawson*	1,436,744	2,136,744
Suzi Williams*	-	N/A

\* indicates non-executive directors

In respect of the above shareholdings, Mr Wigoder has a non-beneficial interest in 4,092,683 shares (2020: 4,092,683).

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

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

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

### **Directors' Conflicts of Interest**

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

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

### **Political Donations**

The Company did not contribute in cash or in kind to any political party, whether by gift or loan. It will, however, ensure that the Group continues to act within the provisions of the Companies Act 2006 requiring companies to obtain shareholder authority before they make donations to political parties and/or political organisations as defined in the Companies Act 2006.

### **Directors' and Officers' Liability Insurance**

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

### **Employees**

The requirements of the Companies Act 2006 in respect of employees are set out in the Strategic Report on pages 31 to 34.

## Stakeholder engagement

More information on stakeholder engagement, including our relationships with our Partners, suppliers, customers and our community can be found in the Strategic Report on pages 35 to 44.

## Substantial Shareholders

As at 18 June 2021, 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
Aberdeen Standard Life Investments Ltd	12,169,879	15.35%
Schroders PLC	4,136,295	5.22%
Vanguard Group	2,886,694	3.64%
Blackrock	2,885,756	3.64%
Unicorn Asset Management	2,445,000	3.08%
Canaccord Genuity Group Inc.	2,443,580	3.08%

## Capital Structure

### *Restrictions on the transfer of shares*

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

Other than as set out below and so far as the directors are aware, there were no arrangements at 31 March 2021 by which, with the Company's co-operation, financial rights carried by securities are held by a person other than a holder of securities, or any arrangements between holders of securities that are known to the Company and which may result in restrictions on the transfer of securities or on voting rights.

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

On 22 March 2018 Charles Wigoder notified the Company that he had entered into an agreement to charge 1,404,000 of his shares in the Company as security for a loan from the Julius Baer Group ("Julius Baer"). Under the terms of the charge, title to the 1,404,000 shares

can be transferred, sold or otherwise dealt with by Julius Baer following an event of default under the security agreement.

On 23 March 2018 Charles Wigoder notified the Company that he had deposited a further 350,000 of his shares in the Company into a collateral account at Barclays as partial security for an increase to his existing loan facility. Under the terms of his agreement with Barclays, title to the 350,000 shares can be transferred, sold or otherwise dealt with by them following an event of default under the security agreement.

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

The Company established a Joint Share Ownership Plan ("the JSOP") on 30 March 2011. As part of the JSOP an employee benefit trust was established to jointly hold shares with the participants in the plan ("the JSOP Share Trust"). As at 31 March 2021 the JSOP Share Trust held 252,638 shares. All voting and dividend rights attached to these shares have been waived.

#### *Takeovers*

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

#### *Authority for purchase of own shares*

At the last AGM held on 23 July 2020, the Company obtained authority to purchase up to 7,862,881 ordinary shares representing approximately 10% of the issued ordinary share capital (excluding treasury shares) as at 19 June 2020. The Company intends to renew this authority at this year's AGM.

#### *Treasury shares*

The Company held 482,276 ordinary shares in treasury as at 31 March 2021 (2020: 482,276).

### **Disclosure of Information**

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

### **Corporate Governance**

The Company's position in relation to compliance with the requirements of the UK Corporate Governance Code issued by the Financial Reporting Council is set out mainly in the Corporate Governance Statement on pages 48 to 54.

### **Risk, Control and Viability**

In accordance with the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a three-year period, taking into account the Group's current position

and the potential impact of the principal risks and uncertainties set out on pages 24 to 30. Based on this assessment, the directors confirm that they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period to March 2024.

The directors have determined that a three-year period to 31 March 2024 constitutes an appropriate period over which to provide its viability statement. This is the period focussed on by the Board during the strategic planning process. Whilst the directors have no reason to believe the Group will not be viable over a longer period, given the inherent uncertainty involved we believe this presents users of the Annual Report with a reasonable degree of confidence while still providing a longer-term perspective.

In making this statement, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Board considers annually and on a rolling basis, a three-year strategic plan. The output of this plan is used to perform central debt and headroom profile analysis, which includes a review of sensitivity to 'business as usual' risks, such as profit growth and working capital variances and severe but plausible events.

The potential risks associated with covid have also been considered by the Board, including customers' ability to pay the Company for the services they are using, and social distancing regulations temporarily reducing the activity by our Partners. The Board also considers the ability of the Group to raise finance and deploy capital. The results take account of the availability and likely effectiveness of the mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks.

Under the revised energy supply arrangements which were effective from 1 December 2013, E.ON (formerly npower) continues to be responsible for funding the principal working capital requirements relating to the supply of energy to the Company's customers. This includes funding the Budget Plans of customers who pay for their energy in equal monthly instalments.

The Group has total revolving credit facilities of £150.0 million with Barclays Bank PLC, Lloyds Bank PLC and Bank of Ireland Group PLC for the period to 17 January 2023. As at 31 March 2021, £90 million of this facility was drawn down and the Company had cash balances of £25m on deposit.

The Company has considerable financial resources together with a large and diverse retail and small business membership base and long-term contracts with a number of key suppliers. As a consequence, the directors believe that the Company is well placed to manage its business risks. Whilst this review does not consider all of the risks that the Group may face, the directors consider that this stress-testing based assessment of the Group's prospects is reasonable in the circumstances of the inherent uncertainty involved.

For and on behalf of the Board  
**David Baxter**  
Company Secretary  
18 June 2021



## **Statement of Directors' Responsibilities in Respect of the Report and Accounts and the Financial Statements**

The directors are responsible for preparing the report and accounts and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the parent Company financial statements on the same basis. In addition the Group financial statements are required under the UK Disclosure Guidance and Transparency Rules to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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

## **Responsibility statement of the directors in respect of the annual financial report**

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

**Charles Wigoder**  
Executive Chairman  
18 June 2021

**Nick Schoenfeld**  
Chief Financial Officer  
18 June 2021

# Independent Auditor's Report to the Members of Telecom Plus PLC

## 1 Our opinion is unmodified

We have audited the financial statements of Telecom Plus PLC ("the Company") for the year ended 31 March 2021 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated and Company Cash flow statements and Consolidated and Company Statements of Changes in Equity and the related notes, including the accounting policies on pages 105 to 116.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 20 February 2015. The period of total uninterrupted engagement is for the seven financial years ended 31 March 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
<b>Materiality:</b> group financial statements as a whole	£2.2m (2020: £2.2m)	
	5.0% (2020: 4.6%) of profit before tax	
<b>Coverage</b>	97% (2020: 97%) of group profit before tax	
Key audit matters vs 2020		
<b>Recurring risks</b>	Non-Smart Meter Energy revenue recognition	◀▶
	<b>New:</b> Expected Credit Losses on Trade Receivables	▲



	Recoverability of parent company's investment in subsidiaries (Parent)	◀▶
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## 2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of significance in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<b>Non-Smart Meter Energy revenue recognition</b> (£110.0m; 2020: £137.9m) Refer to page 57 (Audit Committee Report), page 107 (critical accounting estimates), page 109 (accounting policy) and page 117 (financial disclosures).	<b>Use of estimates</b> An element of Revenue recognised in relation to the supply of gas and electricity includes making an estimate if the volume of energy supplied to customers between the date of the last meter reading and the year end for non-smart meters. The method of estimating usage is complex and judgmental, and is sensitive to historical data and volatility in weather patterns. The risk of misstatement is that the estimated non-smart meter energy revenue does not reflect the gas and electricity actually delivered as at 31 March 2021. The effect of these matters is that, as part of our risk assessment, we determined that non-smart meter energy revenue has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements disclose	Our procedures included: <ul style="list-style-type: none"> <li>– <b>Assessing principles:</b> assessing the revenue recognition accounting policy with reference relevant accounting standards and industry practice;</li> <li>– <b>Control observation:</b> testing the design and implementation of the Group's controls over monitoring the accuracy of the billing systems estimation of energy usage;</li> <li>– <b>Test of detail:</b> for a sample of customers, analysing the accuracy of the energy usage estimate at the year end by comparing actual usage, obtained from meter readings received between 15 March 2021 and 2 April 2021, with the billing system generated estimated</li> </ul>

	<p>the sensitivity estimated by the Group.</p>	<p>usage for the same period;</p> <ul style="list-style-type: none"> <li>– <b>Test of detail:</b> For a sample of third party non-smart meters readings comparing the actual non-smart energy usage to assess accuracy of the non-smart meter readings;</li> <li>– <b>Test of detail:</b> Obtain all journals posted in respect of revenue and, analyse these to identify and investigate any entries which appeared unusual based upon the specific characteristics of the journal;</li> <li>– <b>Test of detail:</b> assessing the volume and nature of customer complaints received in relation to estimated meter readings in order to identify whether any indicators exist of an underlying issue with the Group's estimation of energy usage; and</li> <li>– <b>Assessing transparency:</b> considering whether the critical accounting estimates, judgements and assumptions, and accounting policy disclosures properly reflect the judgements and estimates inherent in recognising non-smart meter revenue.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>– We found the resulting estimate of non-smart meter energy revenue to</li> </ul>
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		<p>be acceptable (2020 result: acceptable).</p> <ul style="list-style-type: none"> <li>- We performed the tests above rather than seeking to rely on any of the group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</li> </ul>
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## 2 Key audit matters: our assessment of risks of material misstatement (continued)

	The risk	Our response
<p><b>Expected Credit Losses on Accrued Income and Trade Receivables</b> (£11.4m; 2020: £10.3m)</p> <p>Refer to page 57 (Audit Committee Report), page 107 (critical accounting estimates), page 115 (accounting policy) and page 130 - 133 (financial disclosures).</p>	<p><b>Subjective Estimate</b></p> <p>Estimation uncertainty associated with trade receivables and accrued income has existed at each reporting date. However, due to potential future impacts of the Covid-19 pandemic and ending of the Furlough scheme, estimation uncertainty has increased in the current year.</p> <p>Assumptions involving a high degree of estimation uncertainty are therefore required to assess the recoverability of trade receivables and accrued income.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the expected credit losses for trade receivables has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements disclose the</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>- <b>Control design:</b> testing the design and implementation of controls over the credit process;</li> <li>- <b>Methodology Choice:</b> Assessing the appropriateness of the customer provisioning policy based on historical cash collections, write off information and estimates of future economic scenarios and their impact on credit losses; and</li> <li>- <b>Assessing transparency:</b> Assessing the adequacy of the group's customer debt provisioning policies and disclosures, including the degree of estimation involved in arriving at the expected credit loss.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>- We found the group's assessment of the</li> </ul>

	sensitivity estimated by the Group.	<p>expected credit losses on trade receivables to be acceptable.</p> <ul style="list-style-type: none"> <li>– We performed the tests above rather than seeking to rely on any of the group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</li> </ul>
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## 2 Key audit matters: our assessment of risks of material misstatement (continued)

	The risk	Our response
<p><b>Recoverability of parent Company's investment in subsidiaries</b></p> <p>(£262.0m; 2020: £262.0m)</p> <p>Refer to page 114 (accounting policy), and page 126 to 127 (financial disclosures).</p>	<p><b>Low risk, high value</b></p> <p>The carrying amount of the parent company's investment in subsidiary represents 99% (2020: 99%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>– <b>Tests of detail:</b> Comparing the carrying amount of the investment value within the subsidiary's draft balance sheet to identify whether the net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether the subsidiary has historically been profitmaking.</li> <li>– <b>Assessing subsidiary audit:</b> Assessing the work performed by the Group audit team on that subsidiary and considering the results of that work on that subsidiary's profits and net assets.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>– We found the group's assessment of the</li> </ul>

		recoverability of the investment in its subsidiary to be acceptable. (2020 result: acceptable).
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### 3 Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £2.2m (2020: £2.2m), determined with reference to a benchmark of group profit before tax of £43.5m (2020: £48.1m with reference to a benchmark of group profit before tax) of which it represents 5.0% (2020: 4.6%).

Materiality for the parent company financial statements as a whole was set at £1.4m (2020: £1.4m), determined with reference to a benchmark of company total assets, of which it represents 0.5% (2020: 0.5%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

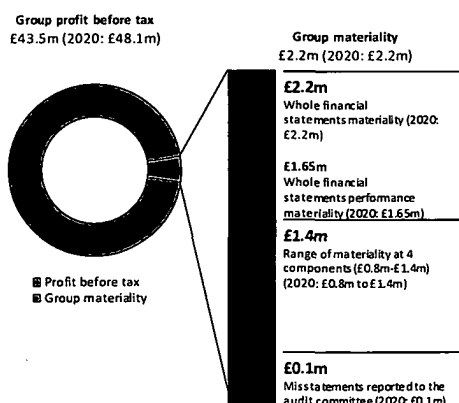
Performance materiality was set at 75% (2020: 75%) of materiality for the financial statements as a whole, which equates to £1.65m (2020: £1.65m) for the group and £1.05m (2020: £1.05m) for the parent company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

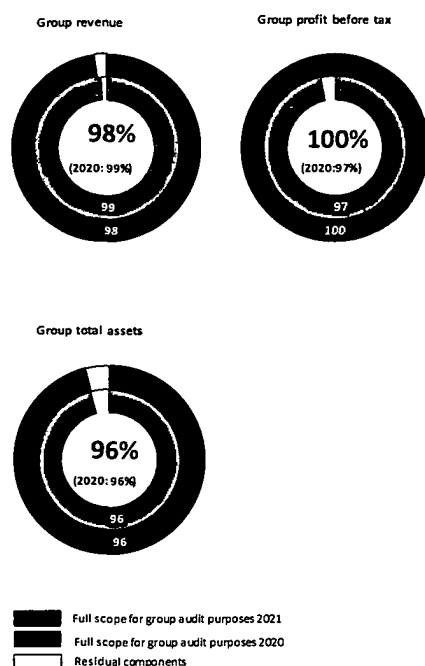
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £110,000 (2020: £110,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 9 (2020: 9) reporting components, we subjected 4 (2020: 4) to full scope audits for group purposes. All audits were conducted by the Group team, with a component materiality ranging from £770,000 to £1,400,000 (2020: £770,000 to £1,400,000).

The components within the scope of our work accounted for the percentages illustrated opposite.

For these residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.





#### 4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least 12 months from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- The potential churn of the customer base as a result of increased competition
- The ability of the customer base to pay for the services they are using as a result of impacts from Covid-19

We considered whether these risks could plausibly affect the liquidity and covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's financial forecasts.

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in page 106 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note (b) to be acceptable; and
- the related statement under the Listing Rules set out on pages 83 to 84 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

## **5 Fraud and breaches of laws and regulations – ability to detect**

### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee meeting minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Using our own forensic specialists to assist us in identifying fraud risks based on discussions of the circumstances of the Group and Company.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as energy estimation. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue constitutes a high volume of individually small transactions with little complexity or judgement.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior management and those posted to unusual accounts.

*Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: compliance with its licence obligations set by Ofgem and Ofcom and certain aspects of company legislation recognising the regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the audit committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

**6 We have nothing to report on the other information in the Annual Report**

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.



Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

*Strategic report and directors' report*

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

*Directors' remuneration report*

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

*Disclosures of principal risks and uncertainties and longer-term viability*

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Risk, Control and Viability Statement, pages 83 to 84 that they have carried out a robust assessment of the principal risks and uncertainties facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the Risk, Control and Viability Statement how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Risk, Control and Viability Statement, set out on pages 83 to 84 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

### *Corporate governance disclosures*

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in this respect.

## **7 We have nothing to report on the other matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

## **8 Respective responsibilities**

### *Directors' responsibilities*

As explained more fully in their statement set out on pages 85 to 86, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

### *Auditor's responsibilities*

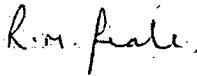
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with

ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**9. The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.



**Robert Seale (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

15 Canada Square

London

E14 5GL

18 June 2021

# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021

	<b>Note</b>	<b>2021</b> £'000	<b>2020*</b> £'000
Revenue	1	861,204	875,774
Cost of sales		(688,104)	(708,077)
<b>Gross profit</b>		<b>173,100</b>	<b>167,697</b>
Distribution expenses		(27,849)	(27,662)
Share incentive scheme credits		-	1
Total distribution expenses		(27,849)	(27,661)
Administrative expenses		(76,820)	(68,239)
Share incentive scheme charges		(1,377)	(1,285)
Amortisation of energy supply contract intangible		(11,228)	(11,228)
Total administrative expenses		(89,425)	(80,752)
Impairment loss on trade receivables	13	(11,213)	(10,444)
Other income	1	1,175	1,328
<b>Operating profit</b>	2	<b>45,788</b>	<b>50,168</b>
Financial income		84	280
Financial expenses	3	(2,358)	(2,336)
<b>Net financial expense</b>		<b>(2,274)</b>	<b>(2,056)</b>
<b>Profit before taxation</b>		<b>43,514</b>	<b>48,112</b>
Taxation	5	(10,955)	(12,352)
<b>Profit for the period</b>		<b>32,559</b>	<b>35,760</b>
Profit and other comprehensive income for the year attributable to owners of the parent		32,577	35,911
Loss for the year attributable to non-controlling interest		(18)	(151)
<b>Profit for the period</b>		<b>32,559</b>	<b>35,760</b>
Basic earnings per share	18	41.5p	45.9p
Diluted earnings per share	18	41.4p	45.7p

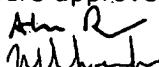

\* The presentation of the income statement has been changed to separately disclose the impairment loss on trade receivables on the face of the Consolidated Statement of Comprehensive Income (refer to the Presentation of financial statements section of the Notes to the consolidated financial statements).

**Consolidated Balance Sheet**

As at 31 March 2021

<b>Assets</b>		£'000	£'000
<b>Non-current assets</b>			
Property, plant and equipment	6	34,865	37,767
Investment property	6	8,575	8,432
Intangible assets	7	160,626	167,719
Goodwill	8	5,324	5,324
Other non-current assets	12	28,595	25,185
<b>Total non-current assets</b>		<u>237,985</u>	<u>244,427</u>
<b>Current assets</b>			
Inventories		6,325	4,633
Trade and other receivables	13	61,706	57,012
Current tax receivable		726	706
Accrued income	13	120,395	120,285
Prepayments	13	10,471	11,985
Cash		25,056	43,611
<b>Total current assets</b>		<u>224,679</u>	<u>238,232</u>
<b>Total assets</b>		<u>462,664</u>	<u>482,659</u>
<b>Current liabilities</b>			
Trade and other payables	15	(30,374)	(35,291)
Accrued expenses and deferred income	16	(122,295)	(121,323)
<b>Total current liabilities</b>		<u>(152,669)</u>	<u>(156,614)</u>
<b>Non-current liabilities</b>			
Long term borrowings	14	(89,376)	(94,020)
Lease liabilities	14	(7,096)	(8,969)
Deferred tax	10	(1,145)	(1,104)
<b>Total non-current liabilities</b>		<u>(97,617)</u>	<u>(104,093)</u>
<b>Total assets less total liabilities</b>		<u>212,378</u>	<u>221,952</u>
<b>Equity attributable to equity holders of the parent</b>			
Share capital	17	3,970	3,962
Share premium		145,094	143,896
Capital redemption reserve		107	107
Treasury shares	17	(5,502)	(5,502)
JSOP reserve		(1,150)	(1,150)
Retained earnings		70,306	81,068
		<u>212,825</u>	<u>222,381</u>
Non-controlling interest		(447)	(429)
<b>Total equity</b>		<u>212,378</u>	<u>221,952</u>

These accounts were approved and authorised for issue by the Board on 18 June 2021

Andrew Lindsay  Director  
 Nick Schoenfeld  Director

Telecom Plus PLC

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31 March 2021

Registered number 3263464

**Company Balance Sheet**

As at 31 March 2021

	Note	2021 £'000	2020 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiary undertakings	9	262,037	262,037
Other non-current assets	12	2,956	2,956
<b>Total non-current assets</b>		<u>264,993</u>	<u>264,993</u>
<b>Current assets</b>			
Trade and other receivables	13	30	22
Prepayments and accrued income	13	203	71
Cash		297	888
<b>Total current assets</b>		<u>530</u>	<u>981</u>
<b>Total assets</b>		<u>265,523</u>	<u>265,974</u>
<b>Current liabilities</b>			
Trade and other payables	15	(61,227)	(67,348)
Accrued expenses and deferred income	16	(64)	(65)
<b>Total current liabilities</b>		<u>(61,291)</u>	<u>(67,413)</u>
Non-current liabilities		-	-
<b>Total assets less total liabilities</b>		<u>204,232</u>	<u>198,561</u>
<b>Equity</b>			
Share capital	17	3,962	3,954
Share premium		145,094	143,896
Capital redemption reserve		107	107
Treasury shares	17	(5,502)	(5,502)
Retained earnings		60,571	56,106
<b>Total equity</b>		<u>204,232</u>	<u>198,561</u>

By virtue of section 408 of the Companies Act 2006 the Company is exempt from presenting a statement of comprehensive income. The Company made a loss for the year of £827,000 before the receipt of distributions from subsidiary companies of £50,000,000 (2020: loss of £520,000 before receipt of distributions from subsidiary companies of £50,000,000).

These accounts were approved and authorised for issue by the Board on 18 June 2021

Andrew Lindsay  Director  
 Nick Schoenfeld  Director

## Consolidated and Company Cash Flow Statements

For the year ended 31 March 2021

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
<b>Operating activities</b>				
Profit/(loss) before taxation	43,514	48,112	(827)	(520)
Adjustments for:				
Net financial expense	2,274	2,056	-	-
Depreciation of property, plant and equipment	4,731	4,142	-	-
Profit on disposal of fixed assets	(47)	(51)	-	-
Amortisation of intangible assets	14,550	13,345	-	-
Amortisation of debt arrangement fees	356	491	-	-
(Increase)/decrease in inventories	(1,694)	148	-	-
Increase in trade and other receivables	(6,713)	(27,821)	(140)	(5)
(Decrease)/increase in trade and other payables	(4,046)	14,410	22	8
Decrease in inter-company payable	-	-	(6,144)	(8,849)
Share incentive scheme charges	1,377	1,284	-	-
Corporation tax paid	(10,945)	(17,097)	-	-
<b>Net cash flow from operating activities</b>	<b>43,357</b>	<b>39,019</b>	<b>(7,089)</b>	<b>(9,366)</b>
<b>Investing activities</b>				
Purchase of property, plant and equipment	(2,582)	(2,910)	-	-
Purchase of intangible assets	(7,457)	(7,409)	-	-
Disposal of property, plant and equipment	100	87	-	-
Distributions from subsidiary companies	-	-	50,000	50,000
Interest received	98	295	-	-
<b>Cash flow from investing activities</b>	<b>(9,841)</b>	<b>(9,937)</b>	<b>50,000</b>	<b>50,000</b>
<b>Financing activities</b>				
Dividends paid	(44,708)	(42,214)	(44,708)	(42,214)
Interest paid	(2,002)	(2,412)	-	-
Interest paid on lease liabilities	(246)	(170)	-	-
Drawdown of long term borrowing facilities	30,000	145,000	-	-
Repayment of long term borrowing facilities	(35,000)	(110,000)	-	-
Fees associated with borrowing facilities	-	(1,069)	-	-
Repayment of lease liabilities	(1,321)	(948)	-	-
Issue of new ordinary shares	1,206	2,176	1,206	2,176
<b>Cash flow from financing activities</b>	<b>(52,071)</b>	<b>(9,637)</b>	<b>(43,502)</b>	<b>(40,038)</b>
(Decrease)/increase in cash and cash equivalents	(18,555)	19,445	(591)	596
Net cash and cash equivalents at the beginning of the year	43,611	24,166	888	292
<b>Net cash and cash equivalents at the year end</b>	<b>25,056</b>	<b>43,611</b>	<b>297</b>	<b>888</b>

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

## Consolidated

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

The opening balance adjustments as at 1 April 2019 relate to the implementation of IFRS 16 Leases, further detail was set out in note 21 to the financial statements for the year ended 31 March 2020.



## Company Statement of Changes in Equity

For the year ended 31 March 2021

Company	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2019	3,942	141,732	107	(5,502)	48,840	189,119
Profit and total comprehensive income/(loss)	-	-	-	-	(520)	(520)
Distributions from subsidiary companies	-	-	-	-	50,000	50,000
Dividends	-	-	-	-	(42,214)	(42,214)
Issue of new ordinary shares	12	2,164	-	-	-	2,176
Balance at 31 March 2020	3,954	143,896	107	(5,502)	56,106	198,561
Profit and total comprehensive income/(loss)	-	-	-	-	(827)	(827)
Distributions from subsidiary companies	-	-	-	-	50,000	50,000
Dividends	-	-	-	-	(44,708)	(44,708)
Issue of new ordinary shares	8	1,198	-	-	-	1,206
Balance at 31 March 2021	3,962	145,094	107	(5,502)	60,571	204,232

# Notes to the consolidated financial statements

## General information

Telecom Plus PLC (the 'Company') is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 March 2021 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 18 June 2021.

## Presentation of financial statements

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

In view of the size and nature of the charge as a non-cash item, the amortisation of energy supply contract intangible asset has also been separately disclosed on the face of the Consolidated Statement of Comprehensive Income for the period. More information regarding the intangible asset is set out in note 7 of these financial statements.

Following a review of the financial statements for the year to 31 March 2020 by the FRC's Corporate Reporting Review Team the presentation of the income statement has been changed to separately disclose the impairment loss on trade receivables from customer invoicing of £10,444,000 on the face of the Consolidated Statement of Comprehensive Income. Previously it was included within administrative expenses (which has now decreased by the corresponding amount of £10,444,000 to £68,239,000) and disclosed within note 13. There was no impact on profit.

## Significant accounting policies

### (a) Statement of compliance

These Group and parent company financial statements were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and these Group financial statements were also in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

### (b) Basis of preparation

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 44. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 21 to 23 and within notes 14 and 21 to the financial statements. In addition, notes 15 and 21 include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

# Notes to the consolidated financial statements

## Significant accounting policies (continued)

### (b) Basis of preparation (continued)

Under the revised energy supply arrangements which were effective from 1 December 2013, E.ON (formerly npower) continues to be responsible for funding the principal working capital requirements relating to the supply of energy to the Company's customers. This includes funding the Budget Plans of customers who pay for their energy in equal monthly instalments.

#### *Going concern*

The Company has total revolving credit facilities of £150.0 million with Barclays Bank PLC, Lloyds Bank PLC and Bank of Ireland Group PLC for the period to 17 January 2023, with an option (subject to bank consent) to extend for up to a further two years, of which £90 million was drawn down as at 31 March 2021 (2020: £95m drawn down). Further detail regarding the maturity and applicable covenants is disclosed in note 14.

The directors have prepared base and sensitised forecasts for a period of at least 12 months from the date of authorisation of these financial statements, including the effect of severe, but plausible, downside scenarios. Those forecasts indicate that the Group can continue to operate within the terms of its existing bank facilities.

The directors have considered the ongoing impact of covid when preparing the financial statements and still believes it has considerable financial resources together with a large and diverse retail and small business customer base and long-term contracts with a number of key suppliers. As a consequence, the directors believe that the Company is well placed to manage its business risks.

Consequently, the directors have a reasonable expectation that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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

#### *Critical accounting estimates, judgements and assumptions*

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

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

# Notes to the consolidated financial statements

## Significant accounting policies (continued)

### (b) Basis of preparation (continued)

#### *Significant estimates*

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the year in which the estimates are revised and in any future years affected. The areas involving significant risk resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

#### *(i) Revenue recognition*

The Group recognises energy revenues on an individual meter-by-meter basis. These revenues are recognised on the basis of actual meter readings where these are available at each month end, and estimation for each meter where meter readings are not available. Each month customers are sent a bill setting out the amount of energy that they have used, based either on actual or estimated meter readings. These amounts of individual customer billed usage form the basis of the recognition of energy revenues.

The Group is among the leaders in the energy industry for smart meter installations and has a very high penetration of smart meters within its customer base of approximately 50% at the year end. Smart meters are able to remotely feedback actual meter readings at period ends to suppliers. Actual meter readings received from smart meters at each period end are therefore used to recognise a large portion of energy revenues.

In relation to the estimation of revenues from non-smart meter customers, where meter readings have not been communicated through a manual meter reading, the Group estimates the amount of energy consumed by each meter. These estimations are based on observed historical seasonal meter-by-meter consumption patterns which are adjusted for the actual impact on usage of weather (using third-party information provided by the energy industry and information from smart meters).

Whilst these estimation routines are currently considered appropriate, a significant change in historical consumption patterns and/or a failure to maintain the accuracy of the estimation routines could materially impact the amount of revenue recognised for non-smart meters. However, the Group's estimation routines are predominantly driven by empirical meter-by-meter industry data and monitored for accuracy on a monthly basis.

The amount of estimated energy revenue recognised from non-smart meters in the year ended 31 March 2021 was £110.1m (2020: £137.9m). The range of reasonable outcomes for the estimated energy revenue is considered to be material, if the estimation routines used were impacted by an indicative sensitivity of +/-1.0% accuracy overall, the difference in energy revenues recognised in the period would be +/-£1.1m.

#### *(ii) Recoverability of trade receivables*

At each reporting date, the Group evaluates the estimated recoverability of trade receivables and records allowances for expected credit losses based on experience. Estimates associated with these allowances are based on, among other things, the historical collection experience of those categories (principally whether the indebted customer remains with the Group or not, and the age of the debt). The actual level of trade receivables collected may differ from the estimated levels of recovery, which could impact operating results positively or negatively.

# Notes to the consolidated financial statements

## Significant accounting policies (continued)

### (b) Basis of preparation (continued)

At 31 March 2021, the allowance for expected credit losses relating to customer invoicing was £23.2m. If the collection experience was to improve/decline by an indicative sensitivity of +/- 5% this would increase / decrease the provision by +/- £1.3m accordingly.

In the current year, the expected future impact of the covid pandemic on the ability of some customers to pay their bills has specifically been taken into consideration as part of the expected credit loss assessment for trade receivables. This has given rise to a further £1.3m incremental increase in the allowance for expected credit losses based on judgements around the likely impact of the pandemic on the non-payment risk profile of the Group's customer base.

#### *Significant judgements*

There are no key judgements made by management in the process of applying the Group's accounting policies.

### (c) Basis of consolidation

#### (i) Subsidiaries

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

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

#### (ii) Employee Benefit Trusts

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

### (d) Revenue

#### *Overview*

Revenue is the value of goods and services supplied to external customers and Partners excluding value added tax and other sales related taxes. For each of the Group's main income streams from the provision of fixed line telephony, broadband, mobile telephony, gas and electricity services, transactions are recorded as sales in the month when the transfer of those

# Notes to the consolidated financial statements

## Significant accounting policies (continued)

### (d) Revenue (continued)

services or the supply of goods takes place. The Group's customers are invoiced in the month following that in which the services are provided. Tariffs are set by customer, by service, and these can vary depending on the number of services provided. Each element of any package is considered independently for the purposes of a performance obligation to determine how the price is derived.

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

#### *Revenue recognition - agent versus principal*

Management assesses the revenue recognition of each of the Group's service offerings on either an agent or principal basis. The identification of the principal in the contract is not always clear, specifically whether the Group controls the service prior to transfer to the customer. The determination of whether the Group is a principal or an agent for each service offering is evaluated by establishing which entity is responsible for providing the specified goods or services against a list of indicators that could indicate an agency relationship. These include:

- (i) Evaluating which entity is primarily responsible for providing the specified goods or services.
- (ii) Evaluating whether the Group has inventory risk.
- (iii) Evaluating whether the Group has the discretion to establish the pricing structure.

The Group primarily acts as a reseller of utilities and in supplying the majority of these services to customers the Group is considered to be primarily responsible for fulfilment of the service and has the discretion to establish pricing and key terms. Revenue for these services is therefore recognised as a principal.

For services where the Group offers home insurance, boiler and home emergency cover, and bill protection, revenue is recognised on an agency basis as the Group does not retain any underwriting risk and acts as an agent to the underlying insurer. During the period the Group recognised £5.9m (2020: £5.4m) of revenue on an agency basis.

#### *Revenue recognition - Energy services*

The recognition of revenue associated with the provision of gas and electricity services to customers on non-smart meters by the Group relies on estimates of usage where meter readings are not available. These estimations are based on observed historical seasonal meter-by-meter consumption patterns which are adjusted for the actual impact on usage of weather (using third-party information provided by the energy industry and information from smart meters). Revenue is recognised during the period in which the Group transfers control of the services to the customer as the customer simultaneously receives and consumes the benefits provided by the entity performance. Any unbilled revenue is accrued at each period end.

# Notes to the consolidated financial statements

## Significant accounting policies (continued)

### (d) Revenue (continued)

#### *Revenue recognition – Telephony services*

The Group principally generates revenue from providing the following telecommunications services: (i) fixed telephony line rental, call and broadband data charges; and (ii) mobile telephony call and data charges, and mobile handset sales. Both the handset and service are priced on the relative standalone selling prices of each distinct performance obligation. The contract terms for certain fibre broadband services are 18 months and for mobile handsets 24 months. Revenue is recognised during the period in which the services are transferred and any unbilled revenue is accrued at each period end. Revenue for mobile handset sales are considered a separate performance obligation recognised when the Group transfers control of the devices to the end user.

In the provision of broadband services, the Group provides customers with a broadband router at the start of their contract. The terms and conditions under which broadband routers are supplied to customers mean that routers are accounted for as finance leases. The Group therefore recognises the sale of the router at the retail price and creates a finance lease asset on the balance sheet for the routers shipped to customers in a given month. This asset is then amortised over the average customer lifetime of 7 years through a charge to the profit and loss account at the rate of interest that causes the present value of the future lease payments to equal the sum of the fair value of the asset.

#### *Revenue recognition – CashBack card services*

In relation to CashBack cards, the following revenue streams are recognised by the Group at the time the services are supplied and charged to customers: (i) a small fixed monthly fee to cover provision of card management services; and (ii) transaction fees to cover the facilitation of the top-up of customer cards. The majority of the CashBack received from the CashBack card programme manager is passed to customers to reduce the payment they are required to make to the Group for their monthly utilities. Revenue is recognised during the period in which the Group transfers control of the services to the customer as the customer simultaneously receives and consumes the benefits provided by the entity performance. Any unbilled revenue is accrued at each period end.

In addition, the Group charges a small administrative fee for facilitating the issue of each CashBack card. Under IFRS 15, as the initial application fee is considered to be a non-refundable upfront fee that does not relate to the transfer of a promised good or services, the associated fee is therefore recognised over the expected life of the customer.

#### *Revenue recognition – Bill protection and life cover, home insurance and boiler cover services*

The Group charges customers a small monthly fee for bill payment protection in the event of redundancy and for a small amount of monthly life insurance cover. The Group has also started to offer home insurance services to customers. In relation to the provision of bill protection and life cover, home insurance and boiler cover the Group does not retain any underwriting risk and therefore acts as an agent of the underlying insurer. The Group therefore recognises revenues on a commission income basis each month as the services are supplied and billed.

# Notes to the consolidated financial statements

## Significant accounting policies (continued)

### (d) Revenue (continued)

#### *Revenue recognition – Other services*

The Group also generates revenues from providing customers with paper bills and from charging customers late payment fees. In addition, the Group generates revenues from providing services to its network of Partners. Revenue is recognised during the period in which the Group transfers control of the services to the customer, or the late payment fees are incurred, and any unbilled revenue is accrued at each period end.

In marketing the sale of bundled services, the Group offers most “Double Gold” and certain “Gold” customers the provision and installation of LED light bulbs throughout their homes (the ‘Daffodil’ scheme). The provision of Daffodil light bulbs is distinct from the provision of the other bundled goods and services. This has resulted in an allocation of revenue to the light bulbs, which is being recognised as control of the light bulbs is passed to the customer – i.e. at the point of installation by a Utility Warehouse fitter. There is a corresponding reduction in revenues from services over the remaining contractual term.

The Group also recognises revenue from the installation of central heating boilers. Revenue is recognised during the period in which the Group transfers control of the boiler to the customer.

### (e) Distributor commissions

The Group’s Partners earn commissions mainly on the introduction of new customers to the Group (‘upfront commissions’) and on the ongoing monthly use of the Group’s services by the customers they have introduced (‘trailing commissions’). Trailing commissions are recognised in the Statement of Comprehensive Income as they are earned by distributors on an accruals basis. Under IFRS 15, upfront commissions are capitalised and amortised over the expected life of the customer.

In relation to certain multi-service customers, distributors are able to bring forward the payment of a limited number of future monthly trailing commission payments expected to be due on the usage of customers they have introduced. These advanced commission payments are held on the Balance Sheet as prepayments and are amortised on a straight-line basis through the Statement of Comprehensive Income over the period during which they are earned and would otherwise have been paid had the payment not been brought forward.

### (f) Financial income and expenses

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



# Notes to the consolidated financial statements

## Significant accounting policies (continued)

### (g) Leases

#### *As a lessee*

##### *Recognition of a lease*

The contracts are assessed by the Group to determine whether a contract is, or contains, a lease. In general contracts are deemed to contain a lease when the following apply:

- Conveys the right to control the use of an identified asset for a certain period in exchange for consideration;
- The Group has substantially all economic benefits from the use of the asset; and
- The Group can direct the use of the identified asset.

This policy is applied to contracts entered into, or changed, on or after 1 April 2019.

At commencement or on modification of a contract that contains a lease component, the Group recognises a right-of-use asset and a lease liability at the lease commencement date.

#### *As a lessor*

Where the Group is a lessor, it determines at inception whether the lease is a finance or an operating lease. When a lease transfers substantially all the risks and rewards of ownership of the underlying asset then the lease is a finance lease; otherwise the lease is an operating lease.

Income from operating leases is recognised on a straight-line basis over the lease term. Income from finance leases is recognised at lease commencement with interest income recognised over the lease term.

#### *Right-of-use asset*

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term, or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

#### *Lease Liability*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The Group includes right-of-use assets within property, plant and equipment and the corresponding lease liabilities in 'lease liabilities' on the balance sheet.

#### *Short-term leases and leases of low-value assets*

# Notes to the consolidated financial statements

## Significant accounting policies (continued)

### (g) Leases (continued)

The Group has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### (h) Hire purchase agreements

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

### (i) Taxation

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

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

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

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

### (j) Property, plant and equipment

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

Depreciation is provided on other assets at the following rates:

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

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

# Notes to the consolidated financial statements

## Significant accounting policies (continued)

### (k) Investment properties

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

### (l) Intangible assets

Intangible assets which arise (e.g. on the entering into of significant commercial contractual arrangements) are capitalised and amortised over the shorter of their useful life and the term of any contractual arrangement.

IT, software and web development costs are capitalised as intangible assets to the extent that certain projects can be separately identified and involve the production of new and/or enhanced systems that the Company will use over the medium-term. It must also be considered probable that the asset will generate future economic benefits, and the development cost can be measured reliably. Where these conditions are not met, development expenditure is recognised as an expense in the year in which it is incurred. Directly attributable costs that are capitalised include employee and external costs specifically incurred in the development of the intangible asset. These costs are amortised on a straight-line basis over their estimated useful economic lives of up to 10 years when each system is brought into use by the Company.

### (m) Goodwill

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

### (n) Impairment

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

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

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

### (o) Investments

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

# Notes to the consolidated financial statements

## Significant accounting policies (continued)

### (p) Inventories

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

### (q) Financial instruments

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

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

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

### (r) Trade receivables

Trade receivables are stated at their nominal value as reduced by expected lifetime credit losses in accordance with IFRS 9. Trade receivables are not considered to contain a significant financing component and therefore the simplified approach for Expected Credit Losses is applied.

### (s) Cash and cash equivalents

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

### (t) Borrowings

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

### (u) Trade payables

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

### (v) Share based payments

The fair value at the date of grant of share-based remuneration, principally share options, is calculated using a binomial pricing model (LTIP 2016: Monte-Carlo model) and is charged to the Statement of Comprehensive Income on a straight-line basis over the vesting period of the award. The charge to the Statement of Comprehensive Income takes account of the estimated number of shares that will vest. All share option-based remuneration is equity settled.

## **Notes to the consolidated financial statements**

### **Significant accounting policies (continued)**

#### **(w) Segmental reporting**

During the period, following a review of the financial information regularly reviewed by the chief operating decision makers, the executive directors of the Board, it was decided to present the Group as one operating segment. This reflects the fact that the chief operating decision makers consider the performance of the Group as a whole, particularly given the nature of the Group's bundled service offering.

#### **(x) Provisions**

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

#### **(y) Pensions**

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

#### **(z) Dividends**

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

#### **(aa) New standards issued but not yet effective**

No new standards, interpretations and amendments not yet effective are expected to have a material effect on the Group's future financial statements.

## Notes to the consolidated financial statements

### 1. Revenue

#### Revenue by service

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

The Group operates solely in the United Kingdom.

Other income in the Consolidated Statement of Comprehensive Income primarily relates to rental income from the Group's former head office building (see note 11).

#### Contract balances

The following table provides the information about contract assets and contract liabilities from contracts with customers.

Group	2021 £'000	2020 £'000
Contract assets, which are included in accrued income	120,449	120,285
Contract liabilities, which are included in deferred income	1,612	1,396

The Group has implemented an expected credit loss impairment model with respect to contract assets. This and any significant changes in contract assets and liabilities are disclosed in note 13. There are no contract balances from contracts with customers in the Company.

## Notes to the consolidated financial statements

### 2. Operating profit

Operating profit is stated after charging/(crediting):

	2021 £'000	2020 £'000
Depreciation and amortisation	19,281	17,487
Loss/(profit) on disposal of fixed assets	(47)	(51)
Auditor's remuneration - audit of Company and consolidated accounts	215	180
- audit of subsidiaries of the Company	77	65
- audit related assurance services	38	38
Inventories expensed	17,585	20,164
Trade receivables and accrued income impairment loss	11,213	10,444
Rental income	<u>(1,045)</u>	<u>(1,295)</u>

Total fees paid to the auditor KPMG LLP during the year were £330,000 (2020: £283,000), including non-audit services of £38,000 (2020: £38,000).

### 3. Financial expenses

An analysis of financial expenses included in the Statement of Comprehensive Income is set out below.

	2021 £'000	2020 £'000
Interest costs on bank loans and overdrafts	1,644	1,768
Interest costs on lease liabilities	246	170
Other financial expenses	468	398
Total financial expenses	<u>2,358</u>	<u>2,336</u>

## Notes to the consolidated financial statements

### 4. Personnel expenses

	2021 £'000	2020 £'000
The total charge in the Statement of Comprehensive Income comprised the following:		
Wages and salaries	69,860	59,159
Social security costs	6,694	5,781
Pension contributions	2,373	1,857
	<u>78,927</u>	<u>66,797</u>
Share incentive scheme charges	1,377	1,285
	<u>80,304</u>	<u>68,082</u>
Average number employed by the Group during the year (excluding directors):	2021	2020
Employees	<u>2,058</u>	<u>1,777</u>

### 5. Taxation

#### (i) Recognised in the Income Statement

	2021 £'000	2020 £'000
<b>Current tax charge</b>		
Current year	10,913	11,570
Adjustments for prior years	9	(234)
	<u>10,922</u>	<u>11,336</u>
<b>Deferred tax charge</b>		
Decelerated capital allowances	202	120
Other timing differences	58	-
Increase in respect of share options	17	679
Adjustment for prior years	(244)	217
	<u>33</u>	<u>1,016</u>
Total tax charge	<u>10,955</u>	<u>12,352</u>



# Notes to the consolidated financial statements

## 5. Taxation (continued)

### (ii) Reconciliation of total tax charge

	2021 £'000	2020 £'000
Profit before tax	43,514	48,112
Corporation tax using the UK corporation tax rate of 19% (2020: 19%)	8,268	9,141
Expenses not deductible for taxation purposes	2,944	2,469
Adjustment in respect of share options	(59)	884
Adjustments in respect of prior years - current tax	9	(234)
- deferred tax	(244)	217
Other deferred tax adjustments	37	(125)
Total tax charge	10,955	12,352

A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020 reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the Company's future current tax charge accordingly. The deferred tax balance at 31 March 2021 has been calculated at 19% (2020: 19%). In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Group's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have increased by £362,000.

## Notes to the consolidated financial statements

### 6. Property, plant and equipment

	Investment property	Freehold land & buildings	Leasehold land & buildings	Freehold & leasehold improvements	Plant & machinery	Fixtures, fittings & office equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Group</b>								
<b>2021</b>								
<b>Cost</b>								
At 1 April 2020	13,425	27,383	3,817	1,361	1,168	15,102	8,582	70,838
Additions	437	-	-	59	37	1,853	196	2,582
Disposals	-	-	-	-	-	(30)	(1,256)	(1,286)
At 31 March 2021	13,862	27,383	3,817	1,420	1,205	16,925	7,522	72,134
<b>Depreciation</b>								
At 1 April 2020	(4,993)	(4,404)	(442)	(794)	(313)	(11,449)	(2,244)	(24,639)
Charge for the year	(294)	(855)	(427)	(79)	(253)	(1,638)	(1,185)	(4,731)
Disposals	-	-	-	-	-	-	676	676
At 31 March 2021	(5,287)	(5,259)	(869)	(873)	(566)	(13,087)	(2,753)	(28,694)
<b>Net book amounts</b>								
At 31 March 2021	8,575	22,124	2,948	547	639	3,838	4,769	43,440

Motor vehicles include right of use assets held under finance leases with a net book value as at 31 March 2021 of £4.0m (2020: £5.6m). The balances in leasehold land & buildings comprise right of use assets with a net book value of £2.9m (2020: £3.4m). The Company no longer holds any property, plant and equipment following the Group reorganisation in April 2017.

## Notes to the consolidated financial statements

### 6. Property, plant and equipment (continued)

	Investment property	Freehold land & buildings	Leasehold land & buildings	Freehold & leasehold improvements	Plant & machinery	Fixtures, fittings & office equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Group</b>								
<b>2020</b>								
<b>Cost</b>								
At 1 April 2019	13,319	27,383	-	889	728	13,606	4,072	59,997
Additions	106	-	-	472	440	1,496	4,855	7,369
Implementation of IFRS 16	-	-	3,817	-	-	-	-	3,817
Disposals	-	-	-	-	-	-	(345)	(345)
At 31 March 2020	13,425	27,383	3,817	1,361	1,168	15,102	8,582	70,838
<b>Depreciation</b>								
At 1 April 2019	(4,698)	(3,549)	-	(765)	(186)	(9,994)	(1,605)	(20,797)
Charge for the year	(295)	(855)	(442)	(29)	(127)	(1,455)	(939)	(4,142)
Disposals	-	-	-	-	-	-	300	300
At 31 March 2020	(4,993)	(4,404)	(442)	(794)	(313)	(11,449)	(2,244)	(24,639)
<b>Net book amounts</b>								
At 31 March 2020	8,432	22,979	3,375	567	855	3,653	6,338	46,199
At 31 March 2019	8,621	23,834	-	124	542	3,612	2,467	39,200

## Notes to the consolidated financial statements

### 6. Property, plant and equipment (continued)

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

An independent valuation of Southon House was conducted on 4 June 2021 in accordance with RICS Valuation – Professional Standards UK January 2014 (revised April 2015) guidelines. The independent market value of Southon House was determined to be £11.9 million and has been categorised as a Level 3 fair value based on the inputs to the valuation technique used. The valuation was prepared on a Market Value basis as defined in the Valuation Standards and was primarily derived from using comparable market transactions carried out on an arm's length basis. These inputs are deemed unobservable.

### 7. Intangible assets

Group	Energy Supply Contract	IT Software & Web Development	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 April 2020	224,563	20,813	245,376
Additions	-	7,457	7,457
At 31 March 2021	224,563	28,270	252,833
<b>Amortisation</b>			
At 1 April 2020	(71,111)	(6,546)	(77,657)
Charge for the period	(11,228)	(3,322)	(14,550)
At 31 March 2021	(82,339)	(9,868)	(92,207)
<b>Net book amount at 31 March 2021</b>	<b>142,224</b>	<b>18,402</b>	<b>160,626</b>

## Notes to the consolidated financial statements

### 7. Intangible assets (continued)

Group	Energy Supply Contract	IT Software & Web Development	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 April 2019	224,563	13,404	237,967
Additions	-	7,409	7,409
At 31 March 2020	224,563	20,813	245,376
<b>Amortisation</b>			
At 1 April 2019	(59,883)	(4,429)	(64,312)
Charge for the period	(11,228)	(2,117)	(13,345)
At 31 March 2020	(71,111)	(6,546)	(77,657)
<b>Net book amount at 31 March 2020</b>	<u>153,452</u>	<u>14,267</u>	<u>167,719</u>
<b>Net book amount at 31 March 2019</b>	<u>164,680</u>	<u>8,975</u>	<u>173,655</u>

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

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

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

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

The Board regularly monitors the carrying amount of the intangible assets. A review was undertaken at 31 March 2021 to assess whether the carrying amount of intangible assets was supported by their value in use determined by the net present value of the future cash flows derived from the assets using cash flow projections based on current levels of profitability.

## Notes to the consolidated financial statements

### 7. Intangible assets (continued)

A pre-tax discount rate based on the Company's weighted average cost of capital ("WACC") of 8.6% was used which was considered appropriate given the expectation that, for term of the contract, the Group will continue to derive significant value from supplying energy to its customers. The result of the review undertaken at 31 March 2021, which included an assessment of the impact of covid, indicated that no impairment was necessary. No reasonably possible change in the assumptions used in the impairment calculation would give rise to an impairment of intangible assets.

The IT Software and Web Development intangible asset relates to the capitalisation of certain costs associated with the development of new IT and web systems. Approximately £7.1 million (2020: £6.1m) of the additions during the year relate to IT systems which remain under construction.

Following the Group re-organisation there are no intangible assets held by the Company.

### 8. Goodwill

	£'000
<b>Group</b>	
<b>2021</b>	
<b>Cost</b>	
At 1 April 2020 and 31 March 2021	<u>6,140</u>
<b>Impairment</b>	
At 1 April 2020 and 31 March 2021	<u>(816)</u>
<b>Carrying amounts</b>	
At 31 March 2021	<u>5,324</u>
<b>2020</b>	
<b>Cost</b>	
At 1 April 2019 and 31 March 2020	<u>6,140</u>
<b>Impairment</b>	
At 1 April 2019 and 31 March 2020	<u>(816)</u>
<b>Carrying amounts</b>	
At 31 March 2020	<u>5,324</u>
At 31 March 2019	<u>5,324</u>

Goodwill principally relates to the Company's subsidiary Telecommunications Management Limited ('TML'), Glow Green Limited ('Glow Green') and Cofield Limited ('Cofield') cash generating units.

The Group regularly monitors the carrying amount of its goodwill. A review was undertaken at 31 March 2021, which included an assessment of the impact of covid, to assess whether the carrying amount of assets was supported by their value in use determined by the net present value of the future cash flows derived from the assets using cash flow projections based on current levels of profitability.

## Notes to the consolidated financial statements

### 8. Goodwill (continued)

In relation to TML, a pre-tax discount rate of 12.3% into perpetuity was used based on a premium to the Group WACC of 8.6%. This was considered appropriate given the relatively small size and maturity of the business, offset by the growth opportunity in mobile telephony, and the expectation that, for the foreseeable future, TML will continue to operate as a going concern. A growth rate of 2.0% (2020: 2.0%) into perpetuity was also used. The result of the review undertaken at 31 March 2021 indicated that no impairment was necessary. No reasonably possible change in the assumptions used in the impairment calculation would give rise to an impairment of goodwill.

In relation to Glow Green and Cofield, a pre-tax discount rate of 18.5% was used based on a premium to the Group WACC of 8.6%. This was considered appropriate given the relatively small size and infancy of the businesses, offset by the expected growth profile. It is expected that the businesses will grow profitably under the Group's ownership. A growth rate of 2.0% (2020: 2.0%) into perpetuity was also used. The result of the review undertaken at 31 March 2021 indicated that no impairment was necessary. No reasonably possible change in the assumptions used in the impairment calculation would give rise to an impairment of goodwill.

### 9. Investments

#### Investment in subsidiary companies

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

The cost of investment in subsidiary undertakings on the Company balance sheet of £262.0 million as at 31 March 2021 represents the transfer of the majority of the assets, liabilities and subsidiaries of Telecom Plus PLC to Utility Warehouse Limited in exchange for shares in Utility Warehouse Limited under the group reorganisation on 1 April 2017.

Following the group reorganisation the Company retained its investment in the JSOP Share Trust. Included within Company Trade and other receivables is a loan receivable from the JSOP Share Trust of £2,275,000 (2020: £2,275,000), which represents the maximum exposure to loss from its interest in the JSOP Share Trust.

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

# Notes to the consolidated financial statements

## 9. Investments (continued)

### Investment in subsidiary companies (continued)

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

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

Utility Warehouse Limited also owns 100% of the ordinary share capital of UW Home Services Limited ('UW Home Services'), being one £1 share. UW Home Services is a licensed meter operator which fits energy meters into properties. UW Home Services owns 100% of the share capital of Central Homes & Facilities Management Limited, a non-trading dormant company.

Utility Warehouse Limited owns 75% of the share capital of Glow Green Limited, being 2,502 £0.001 shares, and 75% of the share capital of Cofield Limited, being 6,000 £0.001 shares. Glow Green Limited is a small supplier/installer of domestic gas boilers and warranty/care plans. Cofield Limited is a small online retailer of central heating equipment to the plumbing industry.

As at 31 March 2021, Utility Warehouse Limited also owned 100% of the ordinary share capital of eight dormant non-trading subsidiaries as listed below:

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

As at 31 March 2021, TML owned 100% of the ordinary share capital of the following eight dormant non-trading subsidiaries:

1p Mobile Limited	Penny Telecom Limited
One Penny Mobile Limited	1p Broadband Limited
One Penny Telecoms Limited	One Penny Broadband Limited
Penny Mobile Limited	Penny Broadband Limited

The registered office of each company referred to in this note (other than Glow Green Limited and Cofield Limited) is: Network HQ, 508 Edgware Road, London, NW9 5AB. The registered office of Glow Green Limited is: 26-32 Oxford Road, Avalon, Bournemouth, England, BH8 8EZ, and the registered office of Cofield Limited is: Unit 5 20 Airfield Way, Christchurch, England, BH23 3PE. All companies referred to above are registered in England and Wales.



## Notes to the consolidated financial statements

### 10. Deferred tax

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

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Tax effect of temporary differences:				
Accelerated capital allowances	(1,625)	(1,563)	-	-
Other short term temporary differences	104	58	-	-
Employee benefits expected in excess of amount vested	404	429	-	-
Transfers from acquisitions	(28)	(28)	-	-
	<u>(1,145)</u>	<u>(1,104)</u>	<u>-</u>	<u>-</u>
	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
At 1 April	(1,104)	37	-	-
Charged to the Statement of Comprehensive Income	(33)	(1,016)	-	-
Taken to equity	(8)	(125)	-	-
	<u>(1,145)</u>	<u>(1,104)</u>	<u>-</u>	<u>-</u>
At 31 March				

### 11. Leases as lessor

#### Finance leases

In the provision of broadband services, the Group provides customers with a broadband router at the start of their contract. The terms and conditions under which broadband routers are supplied to customers mean that routers are accounted for as finance leases.

Interest income of £0.9m (2020: £0.4m) has been recognised in profit or loss in respect of finance leases.

## Notes to the consolidated financial statements

### 11. Leases as lessor (continued)

#### Finance leases (continued)

The following table sets out a maturity analysis of lease payments receivable, showing the undiscounted lease payments to be received after the reporting date:

	2021 £'000	2020 £'000
Less than one year	3,066	1,816
Between one and two years	3,066	1,816
Between two and three years	3,066	1,816
Between three and four years	3,066	1,816
Between four and five years	2,922	1,816
More than five years	2,616	2,344
<b>Total undiscounted lease receivable</b>	<b>17,802</b>	<b>11,420</b>
Unearned finance lease income	(6,381)	(4,224)
<b>Net investment in finance leases</b>	<b>11,421</b>	<b>7,198</b>

#### Operating leases

The operations of the Company were transferred into newly refurbished head offices at Merit House in 2015 and the former head office building, Southon House, was vacated. Southon House is therefore now held as an investment property and rented to third-party tenants. During the year £1.0m (2020: £1.2m) was recognised as rental income by the Group.

The following table sets out a maturity analysis of the lease payments due to be received from the tenants of Southon House, showing the undiscounted lease payments to be received after the reporting date.

	2021 £'000	2020 £'000
Less than one year	852	852
Between one and two years	852	852
Between two and three years	852	852
Between three and four years	852	852
Between four and five years	852	852
More than five years	3,257	4,109
	<b>7,517</b>	<b>8,369</b>

## Notes to the consolidated financial statements

### 12. Other non-current assets

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Hire purchase agreements receivable	3,534	3,747	-	-
Finance lease assets	11,286	7,198	-	-
Loan to JSOP Share Trust	-	-	2,275	2,275
Trade receivables	9,609	10,196	-	-
Other non-current receivables	4,166	4,044	681	681
Total other non-current assets	<u>28,595</u>	<u>25,185</u>	<u>2,956</u>	<u>2,956</u>

No amounts receivable under hire purchase agreements are due after five years. The loan receivable from the JSOP Share Trust does not bear interest and is repayable on demand. There is no current expectation that the loan will be recalled by the Company within the next 12 months. Finance lease assets represent assets where the Company is the lessor. Non-current assets include Expected Credit Losses of £5.3m against trade receivables. The Expected Credit Losses on all other non-current assets are not material.

### 13. Receivables and accrued income

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Trade receivables	26,826	22,082	-	-
Other receivables	33,748	33,737	30	22
Hire purchase agreements receivable	1,132	1,193	-	-
Trade and other receivables	<u>61,706</u>	<u>57,012</u>	<u>30</u>	<u>22</u>
Accrued income	120,395	120,285	-	-
Prepayments	10,471	11,985	203	71
Prepayments and accrued income	<u>130,866</u>	<u>132,270</u>	<u>203</u>	<u>71</u>
Trade and other receivables	61,706	57,012	30	22
Accrued income	120,395	120,285	-	-
Receivables and accrued income (net)	<u>182,101</u>	<u>177,297</u>	<u>30</u>	<u>22</u>

Gross accrued income of £121,707,000 (2020: £121,488,000) includes March revenue invoiced in April of £62,923,000 (2020: £69,193,000), unbilled energy debtors of £58,784,000 (2020: £52,280,000) and accrued income relating to property of £Nil (2020: £15,000). Offset against this figure is an allowance for bad debts of £1,312,000 (2020: £1,203,000).

The hire purchase agreements receivable shown separately in the above table relates to the provision of branded vehicles to Partners. The majority of the vehicles are supplied on interest-free hire purchase agreements and therefore there are no reconciling items to disclose between the present value of the minimum lease payments and gross investment in the leases.

## Notes to the consolidated financial statements

### 13. Receivables and accrued income (continued)

#### Allowance for credit losses on trade receivables and accrued income from customer invoicing

In accordance with note (r) of the Significant Accounting Policies, trade receivables are stated at their nominal value as reduced by the expected lifetime credit losses. The Expected Credit Loss model is applied to trade receivables from customer invoicing with credit losses measured using a provisioning metric, adjusted where required, to take into account current macro-economic factors. The Group do not consider any current or non-current assets to contain a significant financing component and therefore have applied the simplified approach for Expected Credit Losses.

The Group assesses the expected recoverability of trade receivables based on a categorisation matrix and applies a provision against such trade receivables based on the historical collection experience of those categories (principally whether the indebted customer remains with the Group or not, and the age of the debt). The Group also assesses the latest information it has available on customer collections post the balance sheet date in order to evaluate whether there has been any impact on its customers from changes in the prevailing macroeconomic situation.

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Allowances as at 1 April	20,964	19,679	-	-
Additions – charged to consolidated income statement	11,213	10,444	-	-
Allowances used on fully written down receivables	(9,025)	(9,159)	-	-
Allowances as at 31 March	<u>23,152</u>	<u>20,964</u>	<u>-</u>	<u>-</u>

## Notes to the consolidated financial statements

### 13. Receivables and accrued income (continued)

#### Analysis of trade receivables and accrued income from customer invoicing

The tables below show an aged debt analysis between debts owed by customers who are still supplied by the Group ("Live") and customers who are no longer supplied by the group ("Closed").

As at 31 March 2021	Live		Closed		Total		Net £'000
	Gross £'000	Allowance £'000	Gross £'000	Allowance £'000	Gross £'000	Allowance £'000	
<i>Accrued income - not past due</i>	121,707	(1,312)	-	-	121,707	(1,312)	120,395
<i>Trade receivables - past due</i>							
0-30 days	4,321	(696)	584	(384)	4,905	(1,080)	3,825
31-90 days	5,803	(1,218)	1,224	(1,042)	7,027	(2,260)	4,767
>91 days	26,392	(8,594)	5,022	(4,586)	31,414	(13,180)	18,234
Total past due	36,516	(10,508)	6,830	(6,012)	43,346	(16,520)	26,826
<i>Trade receivables</i>							
Total due in over 1 year	14,928	(5,319)	-	-	14,928	(5,319)	9,609
Total trade receivables	51,444	(15,827)	6,830	(6,012)	58,274	(21,839)	36,435
Total	173,151	(17,139)	6,830	(6,012)	179,982	(23,152)	156,830

As at 31 March 2020	Live		Closed		Total		Net £'000
	Gross £'000	Allowance £'000	Gross £'000	Allowance £'000	Gross £'000	Allowance £'000	
<i>Accrued income - not past due</i>	121,488	(1,203)	-	-	121,488	(1,203)	120,285
<i>Trade receivables - past due</i>							
0-30 days	5,012	(894)	752	(412)	5,764	(1,306)	4,458
31-90 days	5,647	(1,197)	1,419	(1,130)	7,066	(2,327)	4,739
>91 days	17,970	(5,795)	5,891	(5,181)	23,861	(10,976)	12,885
Total past due	28,629	(7,886)	8,062	(6,723)	36,691	(14,609)	22,082
<i>Trade receivables</i>							
Total due in over 1 year	15,348	(5,152)	-	-	15,348	(5,152)	10,196
Total trade receivables	43,977	(13,038)	8,062	(6,723)	52,039	(19,761)	32,278
Total	165,465	(14,241)	8,062	(6,723)	173,527	(20,964)	152,563

As at 31 March 2021 and 31 March 2020 the Group had made provision for past due debts and therefore has no material exposure to trade receivables that were passed due and not individually impaired.

## Notes to the consolidated financial statements

### 13. Receivables and accrued income (continued)

#### Revenue from contracts with customers – contract costs

The Group has the following assets at the reporting date in relation to contract costs, included within prepayments:

	2021 £'000	2020 £'000
Costs to obtain contracts with customers	5,662	5,375
	<u>5,662</u>	<u>5,375</u>

Costs to obtain contracts with customers represent up-front commissions paid to Partners for introducing customers to the Group and are amortised when the related revenues are recognised over the average lifetime of the Group's customers. In the current period the amount of amortisation was £1.5m (2020: £1.3m).

### 14. Interest bearing loans and borrowings

#### Bank loans – changes in liabilities from financing activities

Group	2021 £'000	2020 £'000
As at 1 April	94,020	59,598
<i>Changes from financing cashflows</i>		
Drawdown of bank loans	30,000	145,000
Repayment of bank loans	(35,000)	(110,000)
Total changes from financing cashflows	<u>(5,000)</u>	<u>35,000</u>
<i>Other changes - arrangement fees</i>		
Additions	-	(1,069)
Amortisation	356	491
Total other changes	<u>356</u>	<u>(578)</u>
	<u>89,376</u>	<u>94,020</u>
Total long term borrowings as at 31 March		
Due within one year	-	-
Due after one year	90,000	95,000
	<u>90,000</u>	<u>95,000</u>

## Notes to the consolidated financial statements

### 14. Interest bearing loans and borrowings (continued)

#### Bank loans (continued)

The bank loans, when drawn down, are stated net of unamortised arrangement fees of £624,000 (2020: £980,000) on the face of the Balance sheet. These costs have been capitalised and are being amortised over the term of the bank loans.

In January 2020 the Group entered into three-year, with an option (subject to bank consent) to extend for up to a further two years, £150,000,000 revolving debt facilities with Barclays Bank PLC, Lloyds Bank PLC and Bank of Ireland Group PLC ('the Revolving Debt Facilities'). The Revolving Debt Facilities are subject to two financial covenants: (i) Net debt/EBITDA of not more than 3.0:1; and (ii) EBITDA/net finance charges of not less than 3.0:1. The covenants are tested twice per year and the Group has significant headroom to the covenant limits under both these measures. The Group draws down on the Revolving Debt Facilities in tranches as funds are required. The interest period on the drawn tranches is typically one month and the tranches automatically rollover at the end of each interest period unless the Group, at its discretion, decides to repay the tranche.

In addition, as at 31 March 2021 the Group had letters of credit in place relating to certain energy distribution charges with a total value covered of £18,030,500 (2020: £16,720,500).

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

#### Maturity analysis

Group	2021 £'000	2020 £'000
Due in one year or less	-	-
Due in more than one year but not more than two years	92,178	-
Due in more than two years but not more than five years	-	99,277
	<u>92,178</u>	<u>99,277</u>

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

## Notes to the consolidated financial statements

### 14. Interest bearing loans and borrowings (continued)

#### Lease liabilities - changes in liabilities from financing activities

Group	2021 £'000	2020 £'000
As at 1 April	8,969	1,616
<i>Changes from financing cashflows</i>		
Payment of lease liabilities	(1,567)	(1,118)
Interest relating to lease liabilities	246	170
Total changes from financing cashflows	(1,321)	(948)
<i>Other changes</i>		
New finance leases	-	4,459
Additions due to implementation of IFRS 16	-	3,842
Disposals	(552)	-
Total other changes	(552)	8,301
As at 31 March	7,096	8,969

#### Maturity analysis

Group	2021 £'000	2020 £'000
Due in one year or less	1,760	1,430
Due in more than one year but not more than two years	4,894	6,780
Due in more than two years but not more than five years	677	1,059
	7,331	9,269

The analysis of maturity above shows the contractual undiscounted cashflows associated with lease liabilities. There are no lease liabilities in the Company.

### 15. Trade and other payables

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Current</b>				
Trade payables	22,944	26,150	23	-
Inter-company payables	-	-	61,204	67,348
Other taxation and social security	7,430	9,141	-	-
	30,374	35,291	61,227	67,348

The contractual maturities for trade payables fall within one year.



## Notes to the consolidated financial statements

### 16. Accrued expenses and deferred income

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Accrued expenses	120,683	119,927	64	65
Deferred income	1,612	1,396	-	-
	<u>122,295</u>	<u>121,323</u>	<u>64</u>	<u>65</u>

The contractual maturities of accrued expenses fall within one year.

### 17. Capital and reserves

#### Issued share capital

	2021		2020	
	Number (‘000)	£'000	Number (‘000)	£'000
Authorised ordinary shares of 5p each in the Company	160,000	8,000	160,000	8,000
Allotted, called up and fully paid ordinary share capital:				
At 1 April	79,070	3,954	78,837	3,942
Issue of new ordinary shares	166	8	233	12
At 31 March	<u>79,236</u>	<u>3,962</u>	<u>79,070</u>	<u>3,954</u>
Authorised 'B' shares of 2p each in subsidiary	650	13	650	13
Allotted and fully paid 'B' share capital:				
At 1 April	405	8	405	8
Issue of new 'B' shares	-	-	-	-
At 31 March	<u>405</u>	<u>8</u>	<u>405</u>	<u>8</u>
Total Group share capital at 31 March		<u>3,970</u>		<u>3,962</u>

At the year end the Company's share price was 1,250p and the range during the financial year was 1,162p to 1,514p.

## Notes to the consolidated financial statements

### 17. Capital and reserves (continued)

#### Issued share capital (continued)

At 31 March 2021, the Company had 79,236,568 (2020: 79,070,025) shares in issue. The total number of voting rights of 5p ordinary shares in the Company was 78,754,292 (2020: 78,587,749), excluding shares held in treasury. Since the year end, a further 24,021 shares have been issued to satisfy the exercise of employee and distributor share options, increasing the total number of voting rights of 5p ordinary shares in the Company to 78,778,313.

As at 31 March 2021 there were 482,276 ordinary shares held in treasury (2020: 482,276).

There are 252,638 ordinary shares held in the JSOP Share Trust, representing approximately 0.3% of issued share capital, on which voting and dividend rights have been waived. These shares are included in the above total voting rights figure of 78,754,292. The JSOP reserve in the Group accounts represents ordinary shares in the Company held by the JSOP Share Trust.

As at 31 March 2021, the total 'B' share capital in Utility Warehouse Limited was £8,090 (2020: £8,090) and therefore the total Group share capital is £3,970,000 (2020: £3,962,000).

#### Capital management

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

Total shareholder equity at 31 March 2021 was £212.4 million (2020: £222.0 million).

The Group's current capital management strategy is to retain sufficient working capital for day to day operating requirements. The Group's capital management strategy is also to ensure that interest costs are minimised.

Under the Group's energy supply arrangements, E.ON (formerly npower) is responsible for funding the principal working capital requirements relating to the supply of energy to the Company's customers. This includes funding the Budget Plans of customers who pay for their energy in equal monthly instalments.

#### Dividends

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

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

## Notes to the consolidated financial statements

### 18. Earnings per share

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

	<b>2021</b> £'000	<b>2020</b> £'000
Earnings for the purpose of basic and diluted EPS	32,577	35,911
Share incentive scheme charges (net of tax)	1,194	1,203
Amortisation of energy supply contract intangible assets	<u>11,228</u>	<u>11,228</u>
Earnings excluding share incentive scheme charges and amortisation of intangibles for the purpose of adjusted basic and diluted EPS	<u>44,999</u>	<u>48,342</u>
	<b>Number</b> (‘000s)	<b>Number</b> (‘000s)
Weighted average number of ordinary shares for the purpose of basic EPS	78,433	78,205
Effect of dilutive potential ordinary shares (share incentive awards)	<u>273</u>	<u>401</u>
Weighted average number of ordinary shares for the purpose of diluted EPS	78,706	78,606
Adjusted basic EPS <sup>1</sup>	57.4p	61.8p
Basic EPS	41.5p	45.9p
Adjusted diluted EPS <sup>1</sup>	57.2p	61.5p
Diluted EPS	41.4p	45.7p

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

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

## Notes to the consolidated financial statements

### 19. Commitments

#### Capital commitments

At 31 March 2021 the Company had no significant capital commitments (2020: £Nil).

#### Energy supply arrangements

The Group entered into a 20-year energy supply agreement with npower ('the SSA') on 20 December 2013. Following the merger between npower and E.ON's UK operations the supply contract was novated to E.ON during the period. The terms of the supply agreement were not changed as a result of this novation.

In the event that the SSA is terminated by E.ON in certain circumstances, including on a material breach by the Group or on the insolvency of the Company, additional consideration of up to £162 million may become payable by the Company to E.ON. Full details of the termination provisions of the SSA were set out in paragraph 4 of Part VIII on page 38 of the prospectus issued to shareholders on 20 November 2013.

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

The amount of the additional consideration reduces from £162 million to £11 million over the remaining life of the supply agreement. Furthermore, depending on the circumstances giving rise to a termination event, the additional consideration (if payable) may be spread over the unexpired term of the supply agreement. Following any such termination event, the Group would have direct access to the wholesale energy markets and the opportunity to earn additional margin from sourcing energy directly for the Group's customer base.

## Notes to the consolidated financial statements

### 20. Share-based payments

#### *Share options*

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

All new employees who have passed the requisite probationary period are issued with market price options over shares in the Company, further options are also granted to existing employees depending on their seniority and length of service ('The Telecom Plus PLC 2017 Employee Share Option Plan'). The 2015 Employee SAYE Share Option Plan enables employees of the group to acquire shares in the Company in a tax efficient manner using monies saved from salary over a three or five-year period.

As set out in the Directors' Remuneration Report, the Company put in place a new Deferred Share Bonus Plan for the executive directors. No awards of options under this scheme were made during the period. The first awards under this scheme will be made in June 2021.

The distributor scheme ('The Telecom Plus PLC 2017 Networkers and Consultants Share Option Plan') exists to provide incentives to the people who are most successful in gathering new customers for the Company. As it is not possible to measure directly the benefit received from these activities, the fair value of the benefit received has been measured by reference to the fair value of the equity instruments granted.

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

	2021		2020	
	Number	Weighted average exercise price	Number	Weighted average exercise price
At 1 April	2,267,881	1,125p	1,984,194	1,022p
Options granted	890,299	1,420p	779,589	1,359p
Options exercised	(203,211)	846p	(237,520)	946p
Options lapsed/expired	(292,554)	1,170p	(258,382)	1,199p
At 31 March	<u>2,662,415</u>	<u>1,240p</u>	<u>2,267,881</u>	<u>1,125p</u>

The weighted average share price at the date of exercise for the options exercised during the year was 1,425.5p (2020: 1,455.4p).

## Notes to the consolidated financial statements

### 20. Share-based payments (continued)

During the current year ended 31 March 2021 and prior year ended 31 March 2020, the Group issued share options to employees on the occasions set out below. No share options were issued to distributors during these periods.

Grant date	Share price at grant date (pence)	Exercise price (pence)	Expected volatility (%)	Option life (years)	Risk free rate (%)	Dividend yield (%)	Fair value per option (pence)
<i>2017 Employee Share Option Plan</i>							
25/07/2019	1,350	1,342	27.14	10	0.95	4.25	200
16/12/2019	1,522	1,383	28.97	10	0.34	4.12	217
23/07/2020	1,394	1,382	43.69	10	(0.08)	4.12	372
16/12/2020	1,480	1,474	41.77	10	0.05	3.87	396
<i>2015 Employee SAYE Share Option Plan</i>							
21/08/2019	1,216	1,349	27.23	3.5	0.95	4.23	185
19/08/2020	1,400	1,382	43.77	3.5	(0.08)	4.12	326

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

## Notes to the consolidated financial statements

### 20. Share-based payments (continued)

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

	Number 1 April 2020	Number 31 March 2021	Exercise price per share	Exercisable from	Expiry date
<i>2007 Employee Share Option Plan</i>					
17 Dec 2010	1,050	-	442p	17 Dec 2013	16 Dec 2020
14 Jun 2011	25,500	18,710	603p	14 Jun 2014	11 Jun 2021
15 Dec 2011	6,920	5,750	774p	15 Dec 2014	14 Dec 2021
26 Jun 2012	34,000	33,000	828p	26 Jun 2015	25 Jun 2022
10 Dec 2012	19,100	15,600	878p	10 Dec 2015	9 Dec 2022
17 Jun 2013	11,947	5,947	1,219p	17 Jun 2016	16 Jun 2023
16 Dec 2013	6,500	6,500	1,739p	16 Dec 2016	15 Dec 2023
1 Jul 2014	4,950	4,450	1,337p	1 Jul 2017	30 Jun 2024
16 Dec 2014	2,850	2,350	1,254p	16 Dec 2017	15 Dec 2024
13 Jul 2015	312,030	291,090	985p	13 Jul 2018	12 Jul 2025
10 Dec 2015	14,800	14,800	1,074p	10 Dec 2018	9 Dec 2025
22 Jul 2016	228,264	209,150	1,047p	22 Jul 2019	21 Jul 2026
8 Dec 2016	99,820	90,570	1,209p	8 Dec 2019	7 Dec 2026
20 Jul 2017	138,750	100,190	1,117p	20 Jul 2020	19 Jul 2027
<i>2017 Employee Share Option Plan</i>					
12 Dec 2017	120,000	76,252	1,181p	12 Dec 2020	11 Dec 2027
26 Jul 2018	177,000	164,750	1,057p	26 Jul 2021	25 Jul 2028
13 Dec 2018	105,000	93,000	1,370p	13 Dec 2021	12 Dec 2028
25 Jul 2019	385,200	354,200	1,342p	25 Jul 2022	24 Jul 2029
16 Dec 2019	287,200	237,000	1,383p	16 Dec 2022	15 Dec 2029
23 Jul 2020	-	390,373	1,382p	23 Jul 2023	22 Jul 2030
16 Dec 2020	-	347,960	1,474p	16 Dec 2023	15 Dec 2030
<i>2015 Employee SAYE Share Option Plan</i>					
15 Aug 2016	1,519	-	1,042p	1 Nov 2019	30 Apr 2020
14 Aug 2017	10,756	3,106	1,128p	1 Nov 2020	30 Apr 2021
23 Aug 2018	33,438	26,533	1,042p	1 Nov 2021	30 Apr 2022
21 Aug 2019	32,634	28,187	1,349p	1 Nov 2022	30 Apr 2023
19 Aug 2020	-	49,197	1,382p	1 Nov 2023	30 Apr 2024
Total employees	<u>2,059,228</u>	<u>2,568,665</u>			
Weighted average exercise price	<u>1,174.9p</u>	<u>1,250.3p</u>			

## Notes to the consolidated financial statements

### 20. Share-based payments (continued)

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

	Number 1 April 2020	Number 31 March 2021	Exercise price per share	Exercisable from	Expiry date
<i>2007 Networkers and Consultants Share Option Plan</i>					
5 Jul 2010	93,791	-	338p	5 Jul 2013	3 Jul 2020
17 Dec 2010	5,362	-	442p	17 Dec 2013	16 Dec 2020
14 Jun 2011	2,000	2,000	603p	14 Jun 2014	11 Jun 2021
15 Dec 2011	6,000	4,000	774p	15 Dec 2014	14 Dec 2021
1 Jun 2012	26,000	20,000	721p	1 Jun 2015	31 May 2022
26 Jun 2012	6,000	5,000	828p	26 Jun 2015	25 Jun 2022
20 Nov 2012	17,000	16,000	854.5p	20 Nov 2015	19 Nov 2022
10 Dec 2012	1,000	1,000	878p	10 Dec 2015	9 Dec 2022
17 Jun 2013	4,000	4,000	1,219p	17 Jun 2016	16 Jun 2023
16 Dec 2013	2,000	2,000	1,739p	16 Dec 2016	15 Dec 2023
1 Jul 2014	7,900	7,900	1,337p	1 Jul 2017	30 Jun 2024
16 Dec 2014	4,500	4,500	1,254p	16 Dec 2017	15 Dec 2024
13 Jul 2015	23,600	22,100	985p	13 Jul 2018	12 Jul 2025
10 Dec 2015	1,500	1,500	1,074p	10 Dec 2018	9 Dec 2025
22 Jul 2016	6,000	3,750	1,047p	22 Jul 2019	21 Jul 2026
20 Jul 2017	2,000	-	1,117p	20 Jul 2020	19 Jul 2027
Total distributors	208,653	93,750			
Weighted average exercise price	656.5p	952.3p			

At 31 March 2021, a total of 971,215 share options were exercisable (2020: 975,903) at a weighted average exercise price of 1,040.0p (2020: 944.2p). The average remaining contractual life of the outstanding options was 7.0 years (2020: 8.5 years).



# Notes to the consolidated financial statements

## 20. Share-based payments (continued)

### LTIP 2016 – growth shares

The LTIP 2016 comprises the issue to participants of a class of 'growth' shares in Utility Warehouse Limited ("B shares"), which potentially become convertible into ordinary shares in the Company over a period of typically 3-10 years following the achievement of stretching targets. If these targets are not achieved, then the growth shares lapse with no value to participants.

The first awards of growth shares ("B1 shares") were made to initial participants in the scheme on 4 April 2017; these included the Chief Executive Officer and Chief Financial Officer of the Company. In total 325,000 growth shares were issued to the directors and certain senior employees on 4 April 2017, of which 60,000 have lapsed due to leavers. As set out in the Directors' Remuneration Report, a further 37,500 held by directors have lapsed due to the introduction of the new Deferred Share Bonus Plan.

On 30 July 2018 and 20 November 2018, further awards of growth shares were made to certain senior employees ("B2 shares"). In total 61,500 and 18,000 growth shares were issued respectively on these dates, of those issued on 30 July 2018 37,000 have lapsed due to leavers and of those issued on 20 November 2018 2,000 have lapsed.

No further awards will be made under the LTIP 2016.

The fair value of the growth shares issued for the purposes of IFRS 2 has been based on a Monte-Carlo model and the key assumptions are set out below.

<b>B1 shares – April 2017</b>	<b>Tranche 1</b>	<b>Tranche 2</b>	<b>Tranche 3</b>	<b>Tranche 4</b>
Fair value (per share granted)	£16.51	£17.71	£18.07	£17.08
Number of awards granted	81,250	81,250	81,250	81,250

### Key assumptions

Share price at grant	£12.10
Exercise price	Nil
Dividend yield	4.5%
Expected term	2.3 to 9.3 years
Risk free rate	0.11% to 0.99%
Share price volatility of the Company	33.2%
Discount for post vesting transfer restrictions for Tranches 1, 2 and 3 awards	6.3%
Discount for post vesting transfer restrictions for Tranche 4 awards	11.2%

# Notes to the consolidated financial statements

## 20. Share-based payments (continued)

<b>B2 shares – July 2018</b>	<b>Tranche 1</b>	<b>Tranche 2</b>	<b>Tranche 3</b>	<b>Tranche 4</b>
Fair value (per share granted)	£10.14	£10.70	£10.79	£9.68
Number of awards granted	15,375	15,375	15,375	15,375

### Key assumptions

Share price at grant	£10.36
Exercise price	Nil
Dividend yield	4.9%
Expected term	3 to 10 years
Risk free rate	0.86% to 1.48%
Share price volatility of the Company	30.9%
Discount for post vesting transfer restrictions for Tranches 1, 2 and 3 awards	5.9%
Discount for post vesting transfer restrictions for Tranche 4 awards	10.3%

<b>B2 shares – November 2018</b>	<b>Tranche 1</b>	<b>Tranche 2</b>	<b>Tranche 3</b>	<b>Tranche 4</b>
Fair value (per share granted)	£18.23	£19.39	£19.17	£17.39
Number of awards granted	4,500	4,500	4,500	4,500

### Key assumptions

Share price at grant	£13.24
Exercise price	Nil
Dividend yield	4.5%
Expected term	2.7 to 9.7 years
Risk free rate	0.78% to 1.35%
Share price volatility of the Company	29.9%
Discount for post vesting transfer restrictions for Tranches 1, 2 and 3 awards	5.7%
Discount for post vesting transfer restrictions for Tranche 4 awards	10.1%

## Notes to the consolidated financial statements

### 21. Financial instruments

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

#### Carrying amounts of financial instruments

All financial assets, which include cash, trade and other receivables and accrued income, are classified as loans and receivables with a total value for the Group of £234,204,000 (2020: £244,665,000) and for the Company of £3,283,000 (2020: £3,866,000).

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 £234,245,000 (2020: £241,181,000) and for the Company £61,299,000 (2020: £67,415,000).

#### Credit risk

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

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

Trade receivables are stated at their nominal value as reduced by the expected lifetime credit losses. The Expected Credit Loss model is applied to trade receivables from customer invoicing with credit losses measured using a provisioning metric, adjusted where required, to take into account current macro-economic factors. The Group applies judgement to assess the expected credit loss, taking into account historical collection patterns.

The maximum credit risk for the Group is £234,204,000 (2020: £244,665,000) and for the Company £3,283,000 (2020: £3,866,000).

## Notes to the consolidated financial statements

### 21. Financial instruments (continued)

#### Interest rate risk

The Group finances its day to day operations primarily through cash generated within the business. Cash surpluses are placed on deposit with Barclays Bank PLC and Lloyds Bank PLC at money market rates to maximise returns. As set out in note 14, the interest charged on the Group's borrowing facilities varies according to the prevailing 3-month LIBOR rate.

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

#### Commodity price risk

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

#### Liquidity risk

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

#### Foreign currency risk

The Group does not have any significant foreign currency exposure.

#### Interest rate and currency profile of financial assets and liabilities

All financial assets and liabilities are denominated in Sterling. Receivables due after one year include £3,861,000 (2020: £4,115,000) due mainly from distributors elements of which earn interest at varying rates above Base Rate.

#### Borrowing facilities

At 31 March 2021, the Group had total revolving credit facilities of £150,000,000 (2020: £150,000,000). These facilities are available to the Group until 17 January 2023, with an option (subject to bank consent) to extend for up to a further two years. As at 31 March 2021 £90,000,000 of the facilities was drawn down (2020: £95,000,000 drawn down). As at 31 March 2021 the Group also had letters of credit in place relating to certain energy distribution charges with a total value covered of £18,030,500 (2020: £16,720,500).

The facilities are secured by fixed and floating charges over the assets of the Group and through cross guarantees with the subsidiaries Utility Warehouse Limited, Electricity Plus Supply Limited, Gas Plus Supply Limited, Utilities Plus Limited and Telecommunications Management Limited. Further details of the facilities are set out in note 14 of these financial statements.

#### Fair values

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

# Notes to the consolidated financial statements

## 22. Related parties

### Identity of related parties

The Company has related party relationships with its subsidiaries (see note 9) and with its directors and executive officers. Related party transactions are conducted on an arm's length basis.

### Transactions with key management personnel

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

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

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

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

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

### Subsidiary companies

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

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