Company number 3263464

Telecom Plus PLC

Report and Accounts

Year ended 31 March 2014

Contents

Financial and Operating Highlights

- Revenue up 9.5%
- Adjusted pre-tax profit up 25.3%
- Dividend up 13% to 35p
- Group customer base now exceeds 530,000 customers
- Record increase of 305,100 in service numbers to over 1.9 million
- Average revenue per customer down 4% to £1,302 due to lower energy usage during a very mild winter
- Successful £130 million equity capital raising
- New 20 year energy supply contract secured
- Continued strong organic growth
- Nominated by *Which?* for 'Best Telecom Services Company' and 'Best Customer Service' in their 2014 Annual Awards

Our Services

Trading as the Utility Warehouse, Telecom Plus PLC provides a range of essential services to households and small to medium-sized businesses, giving customers the convenience of a single monthly bill, great value, and award-winning customer service. All customers become members of our Discount Club ('Members'), giving them access to a wide range of additional benefits

The Company avoids the need for expensive national advertising by working in partnership with over 44,000 part-time independent distributors ('Partners'), who sign-up new customers by telling them about the advantages of joining the Club.

In general, the more services a Member takes from us, the better value they receive, with our lowest prices available to those who have chosen our 'Double Gold' bundle (which includes all their energy and telephony services) Members can also benefit from using our exclusive CashBack card and online shopping tools.

Partners receive a small share of the revenues we receive from each new Member they introduce, which encourages them to focus on finding creditworthy customers who take multiple services from us

Fixed Telephony
Our fixed-line telephony service gives Members guaranteed savings on the cost of their line rental and call costs compared with all the major providers. Unlike our competitors, most calls at evenings and weekends are free of charge for all Members.

Mobile
With a wide choice of handsets and competitive tariffs, our mobile phone service provides outstanding value and great savings. We also offer a unique 'budget control' option, a loyalty discount, free handset protection against loss or damage, and a range of other benefits

Gas and Electricity
We provide consistently low prices, with guaranteed savings for domestic customers compared with the average of the cheapest variable tariffs charged by the 'Big 6'

Broadband
A choice of high-quality broadband services offering great value, fast speeds and outstanding technical support, for the vast majority of domestic Internet users.

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

The Utility Warehouse Discount Club

Benefits of membership include:

- A single monthly bill
- Substantial savings
- Award-winning customer service
- Up to £200 to help with switching costs
- 'Refer a Friend' plan
- Cheaper online shopping
- 'FindMeTheCheapest' search tool
- Unique Price Promise
- Exclusive CashBack card
- Low cost 'Bill Protection' option
- Freephone customer service

Chairman's Statement

I am delighted to report another successful year for the Company in which we have laid solid foundations for the next phase of our development, whilst continuing to deliver strong levels of organic growth across all the core services we provide.

In particular, the negotiation of a new energy supply agreement with Npower during the autumn, which secures our access to the wholesale energy markets on improved commercial terms for a guaranteed period of 20 years, has already enabled us to improve the competitiveness of our retail energy tariffs compared with those offered by the 'Big 6' suppliers.

The ongoing improvement in the quality of our customer base, combined with the growth in the number of services we are providing, mean that revenue and profitability for the year have again both reached record levels.

Results overview

Adjusted pre-tax profits increased by over 25% to £44.6m (2013 £35.6m) on revenue up by 9.5% to £658.8m (2013 £601.5m); adjusted earnings per share for the year rose by 26 8% to 50.6p (2013: 39.9p)

The relatively modest rise in revenue is due to continued strong organic growth in the number of customers using our services and industry wide increases in energy and telephony prices last autumn, partially offset by much lower average energy consumption by domestic households during an exceptionally mild winter

Adjusted pre-tax profits and earnings per share grew at a substantially faster rate than revenue, reflecting the steadily increasing size of our customer base (which was on average 18% higher than during the preceding year), and an initial contribution from the new energy supply arrangements with Npower

We remain encouraged by the strong growth in the number of services we are providing, which reached 1,907,160 (2013: 1,602,060) by the year end – a record increase of over 305,000 services during the year and almost 40% higher than the growth achieved during the previous year One of the highlights within this strong performance has been a doubling in the proportion of new Members taking all five of our core services (Gas, Electricity, Home Phone, Mobile and Broadband) since the introduction of our new bundled service structure in November 2013. The average number of services taken by each residential Club Member has increased to 3 64 (2013: 3 54), these figures have been adjusted to reflect the auto-enrolment into the Club for the first time of around 60,000 residential customers (generally those who had moved into a property where we were already the incumbent energy supplier, and who have never consciously bought into our core multi-utility brand proposition), following our decision to abolish membership fees for all residential customers in the autumn.

In line with previous guidance, we are proposing a final dividend of 19p (2013. 18p), bringing the total for the year to 35p (2013: 31p), this represents an increase of almost 13% compared with last year, but on a significantly larger number of shares in issue following the equity fundraising in December 2013. We remain committed to a progressive dividend policy, although the rate of increase will be tempered over the next few years as we service and repay the £100m of debt we borrowed in the autumn to part-fund the transaction with Npower

We were delighted to receive a number of further endorsements from *Which?* during the year recognising both the value we offer and the quality of service provided by our UK based customer service team, including being ranked first in their most recent survey of Fixed Telephony and Broadband suppliers, and being nominated in two categories at their 2014 Annual Awards. This is a reflection of the continuing focus and significant ongoing resources invested into delivering the best possible service to our Members, consistent with securing our position as the Nation's most trusted utility supplier.

Our share of the profits from Opus Energy Group Limited ("Opus"), in which we maintain a 20% stake, increased during the year to £4 7m (2013: £3.4m). This is an excellent result and reflects the continuing strong trading performance of the business.

New Energy Supply Arrangements

In December 2013 we completed a transformational deal with Npower, which secured our supply of wholesale energy for 20 years on improved commercial terms This transaction involved us purchasing two of their subsidiaries, Gas Plus Supply Limited and Electricity Plus Supply Limited, for a total consideration of £218m (of which £21.5m is deferred for three years). The initial consideration was funded by a heavily oversubscribed equity fundraising which raised £130m before expenses, and new debt facilities provided by Barclays Bank.

Business Development

We restructured the way we present and sell our services during the autumn by introducing an attractive range of 'Gold' bundles (with enhanced benefits and lower pricing available for Members choosing to take all their utilities from us), making our unique multi-utility sales proposition simpler for new Members to understand and easier for our Partners to promote

At the same time we reduced the number of energy tariffs we offer to comply with our new licence obligations, following Ofgem's Retail Market Review, whilst taking advantage of the improved commercial terms of our new energy supply arrangements to make our retail prices even more competitive

In March 2014, we launched a number of new tools designed to help our Partners promote our services and build their businesses more effectively. These included a new film (featuring Sir Terry Wogan) to help them explain our unique Discount Club and the benefits we offer to potential new Members, a simplified new online application process, an animated video to explain our part-time income opportunity, a new 'App' which provides access in one place to all the main resources needed by our Partners, and an interest-free hire purchase scheme to enable them to acquire a suitable Tablet to take best advantage of these new tools

We have continued to invest in providing customer service that is genuinely best in class, improving the clarity and transparency of the benefits we offer; and to consistently exceed our customers' expectations. As a result, we have earned a higher level of trust amongst our customers than any other utility supplier, consistent endorsements from *Which?* in their regular surveys, and a Net Promoter Score that typically fluctuates between +40 and +45 on a monthly basis.

The steps we have taken over the last few years to improve our customer service and the quality of our customer base have led to a continuing progressive reduction in both our levels of churn and the proportion of Members who are delinquent (ie have at least two outstanding bills). Our bad debt charge for the year remained at 1.5% of revenue (2013: 1.5%), even though a significant number of new Members joined during the year.

Route to Market

The number of new Partners joining the business during the year averaged around 1,300 per month (2013: 1,002), taking the total number of registered Partners at the year end to a record high of over 44,000 (2013 39,848).

We believe the continuing high level of interest in joining our business is being driven by the combination of continuing pressure on household budgets, growing awareness of our brand, and the attractiveness of the secure part-time additional income opportunity we offer. We have enhanced the personal development programme we offer to help new Partners get started more quickly, promote our services more effectively, and build a growing long-term residual income

Confidence and morale amongst our partners is currently extremely high, following our recent annual sales conference in March which saw a record attendance. We are delighted with the positive reaction we have seen to the range of new tools we introduced, and the boost this has given to the strong momentum we were already seeing.

Corporate Governance

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

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

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

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

Outlook

Recent Trading

A record number of Partners attended our annual sales conference in March, where we launched a range of new tools to help them build their businesses more effectively. These resulted in an immediate uplift in activity by our Partners, as announced in our trading update on 4 April 2014, we are delighted that this momentum continued throughout April, taking the total number of new Partners recruited since our sales conference to over 5,000.

The combination of record numbers of new Partners requiring training for the first time, and existing Partners wanting to repeat their training so they could fully understand how to take advantage of the new tools we had announced means we have provided 8,000 training places since late March to cope with the increased demand – this is around four times the number of places usually required.

The backlog this created has now been cleared, and customer gathering activity is starting to show an improvement over what were already extremely healthy levels. If current trends continue, the number of services we provide will show further significant net growth over the course of the year, with our customer base increasing to around 600,000 by the end of the year

Energy Prices

Within the energy sector as a whole, significant investment is needed over the next decade to renew and extend the distribution network, replace nuclear and coal-fired generating plant that is approaching the end of its useful life, roll out smart meters, and encourage the take up of energy efficiency and renewable energy programmes. The costs associated with delivering these initiatives are likely to put continued upward pressure on retail energy prices over the medium term, irrespective of any movements in wholesale energy commodity costs, although these may be partially offset by the shifting of certain social and environmental costs from consumer bills into general taxation.

Regulatory

The proposals set out in Ofgem's Retail Market Review have now been implemented. These include a provision requiring each supplier to inform their customers (on each bill they receive) of any cheaper tariffs available, which is intended to make it more difficult for suppliers to cross-subsidise attractive acquisition tariffs by overcharging their legacy customer base. We anticipate benefitting from these new disclosure requirements, as customers receive this additional information on future bills from our competitors over the course of the next 12 months. In the meantime, our tariffs, bills and marketing are all fully compliant with the new licence conditions.

The forthcoming review by the Competition and Markets Authority is focussed on the 'Big 6' energy suppliers, and in particular whether their vertically integrated structure is acting against the public interest. As such, we do not expect it to have any adverse impact on us as the leading independent supplier. It should be noted that our wholesale energy supply arrangements with Npower are expected to largely insulate us against any margin pressure from the proposed 20-month price freeze likely to be included in the Labour Party manifesto for the forthcoming election.

Prospects

Our Partners continue to demonstrate their ability to gather high quality new Members in substantial volumes, and the high proportion of new Members taking all five of our core services (now running at around 25%) is particularly encouraging.

Having reached the 500,000 customer milestone a few months ago, our focus now is on doubling this to 1 million customers and beyond over the medium term; this would represent a UK market share of less than 4%, and seems eminently achievable given our track record of consistently delivering 15%-20% annual growth in the number of services we supply over the last few years Current high levels of confidence amongst our existing Partners, and the record numbers of new Partners who have joined the business since our sales conference in March, give us confidence that these strong rates of organic growth are sustainable going forward.

The steadily improving quality of our customer base gives us good visibility over future revenues and margins on the various services we provide, and our adjusted pre-tax profits for the current year will show a significant increase over last year's reported numbers, reflecting both the strong organic customer growth we have achieved over the last 12 months, combined with the financial benefits of the transaction with Npower we completed in December

We remain comfortable with market expectations for adjusted pre-tax profits for the current year of £63m, an increase of almost 50% on last year. As a result, shareholders can look forward to progressive growth in the level of our dividends, notwithstanding that we will be repaying £20m of debt over the course of the current year.

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

Charles Wigoder
Executive Chairman
20 May 2014

Chief Executive's Review

Markets

We supply a wide range of essential utility services (Gas, Electricity, Landline, Broadband and Mobile) to both domestic and small business customers; these are all substantial markets and represent a vast opportunity for further organic growth.

The markets we operate in are dominated by a relatively small number of former monopoly suppliers and other owners of infrastructure assets, although in each there are also a number of independent suppliers carving out their own niches, generally based on price

Business model

The Utility Warehouse has a fundamentally different business model to any other utility provider in the UK in three key respects:

- firstly, we provide our services through the Utility Warehouse Discount Club, in which each customer becomes a Member;

- secondly, we are the only fully integrated provider of both energy and communications services, with a single set of overheads that we can spread across our multiple revenue streams; and

- thirdly, we have a unique route to market, with an 'army' of over 44,000 part-time self-employed Partners This means that instead of seeking to attract new Members through expensive advertising on television or in the national press, direct marketing, or price comparison sites, we instead benefit from genuine personal recommendations by both our Partners, and also by existing Members.

Partners can earn a small percentage of the monthly revenues generated by any Members gathered, either personally, or by someone in their team. On a similar basis, Members are directly rewarded with shopping vouchers when they introduce a new Member, and receive additional vouchers annually in December provided the Member(s) they have introduced are still using our services.

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

Our business model requires us to provide exceptional customer service in order to convert our Members into fans, and ensure our Partners have the confidence to recommend us to their friends and family. We are extremely pleased with the further progress we have made this year towards achieving these goals, and in securing our position as the Nation's most trusted utility provider.

Strategy

Our strategy is to build on the current strong levels of organic growth we are achieving, in order to progressively increase our share of the markets in which we operate.

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

We continue to explore the possibility of expanding our current range of core services into areas where we can leverage our existing strong relationship with our Members to offer them improved service and better value on services they currently obtain from other suppliers, whilst also delivering a satisfactory return for our shareholders Potential additional services include water, television and/or a range of insurance products (eg: home and motor policies)

Operational performance and non-financial KPIs

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

- continuing strong organic growth with service numbers up by 305,100 (2013 221,037)
- lower churn
- lower delinquency
- growing proportion of Members taking all five of our core services
- significant increase in the number of new Partners
- positive reviews and recognition from *Which?* for both energy and telephony services
- consistently high Net Promoter Scores

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

Our continuing strong organic growth is underpinned by high levels of confidence amongst our Partners in our brand and financial strength, the good value provided by our services, and our commitment to delivering best-in-class customer service

Customers

	2014	2013
Residential Club	495,234	425,118
Business Club	29,098	28,313
Total Club	**524,332**	**453,431**
TML	6,307	7,601
Total Group	**530,639**	**461,032**

Our customer base can be split into three groups as set out in the above table, each of which has different characteristics:

(i) Residential customers who are Members of the Utility Warehouse Discount Club (93 3% of our customers) taking on average 3.64 services from us;
(ii) Small businesses who are Members of the Utility Warehouse Discount Club for Business (5.5% of our customers) taking on average 2 74 services from us, and
(iii) Other small businesses signed up through our wholly owned Telecommunications Management Limited ("TML") subsidiary (1.2% of our customers) taking on average 3.56 services from us. These customers are no longer considered a core part of the business, and their contribution is becoming progressively less material in the context of the Group.

Within the residential Club, there is a further difference in quality (and therefore in the revenues and profits they will generate over the time they remain a Club Member) between Members, depending on whether they are a homeowner, and on the number of services we provide to them We are therefore pleased that against the backdrop of an increasing national trend towards renting, the proportion of homeowners amongst new Members has remained broadly steady at around 75%, and the proportion of new Members taking all five of our core services has increased significantly compared with the previous year·

	Percentage of new residential Club Members taking five core services
Q1 FY14	13.3%
Q2 FY14	13.2%
Q3 FY14	16.3%
Q4 FY14	24 4%

Although on average a new Member taking all five of our core services requires a greater initial investment, these Members benefit from our most competitive prices, generate higher commission for our Partners, and provide the greatest lifetime value to the Company.

Overall churn within our customer base has continued to fall. This is best illustrated by analysing individual energy supply point churn, which declined to an average of just 0 8% per month during the final quarter, and demonstrates one of the key benefits from progressively improving the quality of our customer base:

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

Average revenue per customer would have shown a further increase during the year due to the improvement in the quality of our customer base and slightly higher retail prices, but these positive factors were more than offset by lower energy consumption during an exceptionally mild winter this year, and the comparison with an exceptionally cold winter which inflated energy spend the previous year.

	Average Revenue per Customer
1999	£190
2000	£286
2001	£316
2002	£329
2003	£459
2004	£482
2005	£505
2006	£634
2007	£801
2008	£824
2009	£1,057
2010	£1,152
2011	£1,162
2012	£1,190
2013	£1,363
2014	£1,302

(These revenue figures relate to the Customer Management operating segment and exclude our TML subsidiary)

We enjoy high levels of overall customer satisfaction, as evidenced by the positive reviews we receive from *Which?* magazine on a regular basis, and the feedback we receive from the surveys we send out each month to Members who have contacted our call centre. This feedback is consistently generating a positive Net Promoter Score of around +40; to put this into context, any score above zero in the utility sector would be considered highly acceptable (E.ON has reported a score of -21 in its residential supply business, and the average in a 2013 Satmetrix industry report on internet service providers was +9)

Our innovative CashBack card continues to generate significant monthly savings for our Discount Club Members, with the total value of CashBack credited to Members since launching this programme now in excess of £18m. In addition, we have seen increasing numbers of Members using our online shopping portal and price comparison service to help them find the cheapest online supplier for a wide range of everyday household goods, and to earn additional CashBack.

Services

Our full range of services include Fixed Telephony (calls and line rental), Broadband, Mobile, Gas, Electricity, and CashBack card. At the year end, we supplied a total of 1,907,160 services (2013: 1,602,060), representing a record net increase of 305,100 during the year.

	2014	2013
Electricity	474,123	403,922
Gas	392,744	334,565
Fixed Telephony (calls and NGN)	296,820	260,502
Fixed Telephony (line rental)	264,341	221,692
Broadband	221,938	175,337
Mobile	117,425	89,017
CashBack card	139,769	117,025
Total	**1,907,160**	**1,602,060**
Residential Club	1,804,830	1,504,802
Business Club	79,864	72,676
Total Club	**1,884,694**	**1,577,478**
TML	22,466	24,582
Total Group	**1,907,160**	**1,602,060**

We saw consistent quarterly growth throughout the year in all the core services we provide (Gas, Electricity, Mobile, Home Phone and Broadband), with a particularly pleasing 31.9% rise in the number of mobile services provided This increase means penetration of Mobile within our residential Club has risen from 12 5% to 23.7% over the last three years as a result of our continuing investment in making this service more attractive to Members. With around 35% of new Members taking this service, there remains significant scope for further improvement in this level of penetration over the next few years.

CashBack card

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

We have seen a 19% increase during the year in the number of cards in issue to 139,769 (2013 117,025), with a little under one third of new residential Club Members applying for a card. We believe this steady level of demand is a reflection of the continuing challenging economic climate, where many new Members find it difficult to fund the switch from paying in arrears on their credit card, to paying for their purchases in advance with a prepayment card.

We paid over £4.6m (2013: £4.4m) in CashBack to our Members during the year (funded entirely by the retailers in the programme), with many Members achieving a reduction of between 20% and 30% on the amount they pay for the utilities we are supplying to them each month, simply by using their CashBack card (instead of an alternative payment card) for most of their regular household shopping.

Customer Service

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

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

We have been delighted at the consistently high customer service ratings we receive in *Which?* magazine, and the overwhelmingly positive feedback we receive from Members in our own surveys

Partners

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

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

Our Car Plan, which provides eligible Partners with a subsidised Utility Warehouse branded BMW Mini, remains extremely popular and around 575 vehicles are now in circulation (2013: 500). Owners inform us that they find these helpful in raising their local profile, resulting in enquiries from both potential new Members and Partners

Premises and Systems

We are making good progress with the refurbishment of our new headquarters office building which we purchased in February 2012. Once this project is completed towards the end of this year, it will provide sufficient space to support our growing business needs for the foreseeable future. From a systems perspective, we have the capacity to manage a substantial increase in our current customer and service numbers, without the need for any material further investment.

Andrew Lindsay MBE
Chief Executive Officer
20 May 2014

Financial Review

Overview of Results

	Adjusted[1]			Statutory		
	2014	2013	Change	2014	2013	Change
Revenue	£658 8m	£601 5m	9 5%	£658 8m	£601 5m	9 5%
Profit before tax	£44 6m	£35 6m	25 3%	£36 6m	£34 6m	5 8%
Basic EPS	50 6p	39 9p	26 8%	39 8p	38 7p	2 8%
Dividend per share	35 0p	31.0p	12 9%	35 0p	31 0p	12 9%

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

Summary

The increase in revenue during the year has been driven by continuing strong organic growth in the number of services we provide combined with modest price increases, partially offset by the swing from an extremely cold winter in 2013 to an unseasonably mild winter in 2014.

The improvement in adjusted pre-tax profits of 25.3% reflects the underlying increase in the average number of customers during the year, improving economies of scale, and an initial contribution from our new energy supply arrangements since December.

The increase in both the quantity and quality of new customers added over the course of the year has led to an increased loss from our Customer Acquisition operating segment of £12.1m (2013: £10 1m), although the average acquisition cost per customer fell during the second half following the introduction of our new 'Gold' Bundle structure

Distribution expenses remained broadly flat as a proportion of revenue, reflecting the progressive implementation of the new distributor compensation plan we announced almost 18 months ago In absolute terms they increased by £1.0m as a result of higher payments to Partners arising from our continuing strong organic growth and the higher revenue we achieved for the year.

Administrative expenses increased during the year by £7.0m to £41.6m (2013: £34 6m) as a result of higher staff costs, an increase in bank charges relating to our new debt facilities with Barclays, greater telephony costs (following our decision to introduce a freephone 0800 number for customer services), and the one-off costs associated with the energy Retail Market Review

Adjusted earnings per share increased by 26.8% to 50.6p (2013: 39.9p). In accordance with previous guidance and our strong cash position, the Company is proposing to pay a final dividend of 19p (2013: 18p) per share, making a total dividend of 35p (2013. 31p) per share for the year.

Margins

Our overall gross margin for the year was slightly above previous guidance at 15.2% (2013 13 9%) as a direct consequence of our new energy supply arrangements with Npower which were completed in December 2013 We are therefore updating our guidance on gross profit margins, and now expect them to be within a range of 15% to 17% (previously 13% to 15%) for the foreseeable future.

Customer Management Business

Our customer management business delivered record growth of over 300,000 services during the year, making eleven consecutive quarters in which we have delivered net growth of over 50,000 services

	Net growth in services
Q1 FY12	38,140
Q2 FY12	61,363
Q3 FY12	51,529
Q4 FY12	58,855
Q1 FY13	53,316
Q2 FY13	54,406
Q3 FY13	55,488
Q4 FY13	57,827
Q1 FY14	64,267
Q2 FY14	101,447
Q3 FY14	81,429
Q4 FY14	57,957

The consistency of these numbers reflects our continuing focus on making it easier for our Partners to gather new members by simplifying our processes, improving membership benefits, making our services more competitive, and improving our customer service. As a result, all our core services are now seeing strong monthly growth.

The particularly high growth in service numbers during Q2 and Q3 last year was due to exceptionally favourable market conditions and strong promotional activity, and should not be interpreted as a precedent for similar seasonal outperformance in these periods in future years

The progressive improvement in the quality of our customer base, with lower levels of delinquency and a steady increase in the average number of services being taken by each customer, has resulted in a progressive reduction in both churn and bad debts over the last four years.

Revenues increased across all our services during the year, however the exceptionally mild winter resulted in significantly lower gas consumption than expected

Revenue by Service (£m)	2014	2013
Electricity	270.3	235.2
Gas	257.6	256.5
Fixed Communications (Telephony/Broadband)	82 2	71.8
Mobile	16.7	13.7
Other	15 7	15.0
	642.5	592.2

Customer Acquisition

Our net investment in acquiring new customers increased during the year to £12.1m (2013 £10.1m), reflecting the strong organic growth we achieved in the number of services being provided.

Although the initial cost of acquiring a customer who takes one of our 'Gold Bundles' can be considerably higher than for a household taking fewer services, our experience shows that the lifetime value of such customers more than compensates for the higher upfront costs we incur.

Distribution and Administrative Expenses

Distribution expenses, which primarily represent the share of our revenues that we pay as commission to Partners, increased by £1 0m to £18.6m (2013: £17.6m); this reflects an increase in the amount of residual income we paid, combined with higher bonus and incentive payments resulting from the significant increase in our organic growth compared with the previous year.

Within administrative expenses, the bad debt charge for the year remained constant at 1.5% of revenues (2013: 1.5%), but increased slightly in absolute terms to £9 9m (2013: £9.0m), partly due to an increase in the number of fraudulent applications for premium mobile phones during the first half of the year which triggered an immediate tightening of our credit checking procedures.

Whilst remaining sympathetic to the financial difficulties some households are experiencing in paying for their energy, we continue to manage our bad debt risk by installing prepayment meters at properties where the occupiers are unwilling to pay for the energy they are using by any other means We installed 8,958 of them during the year (2013: 6,584), many of them at the customer's own request, which helped grow our base of prepayment meters to 50,095 (2013· 33,563) representing approximately 5.8% of the energy services we supply. This remains significantly below the average level of prepayment meters within the industry of around 15%.

Looking to the future, the further reduction we have seen in the proportion of delinquent customers across the year is, we believe, a useful forward indicator to the level of bad debts we can expect over the medium term.

	Delinquent customers
Q2 FY11	2 40%
Q3 FY11	1 95%
Q4 FY11	1 82%
Q1 FY12	1.71%
Q2 FY12	1 53%
Q3 FY12	1.26%
Q4 FY12	1.34%
Q1 FY13	1.33%
Q2 FY13	1.17%
Q3 FY13	1 08%
Q4 FY13	1.32%
Q1 FY14	1.30%
Q2 FY14	1.15%
Q3 FY14	1.00%
Q4 FY14	1.15%

The average number of employees increased from 604 to 696, most of which took place in the second half of the year; this increase in headcount of 15% is below the increase we saw during the year in the number of services we are providing, as we continue to enhance our systems to manage our growing customer base more effectively. Personnel expenses (excluding the non-cash accounting cost of share incentive schemes) increased by 20.8% during the year to £23.8m (2013: £19.7m), as we continue to strengthen our management team.

Other year-on-year adverse movements in administrative expenses included an increase in bank charges relating to our new debt facilities with Barclays, greater telephony costs (following our decision to introduce a freephone 0800 number for customer services), and the one-off costs associated with the energy Retail Market Review

Overall, administrative expenses represented 6.3% of revenue for the year (2013: 5.8%), mainly due to substantially lower spend by Members on their energy during an exceptionally mild winter We continue to look for efficiency savings throughout the business to maximise economies of scale as we continue to grow.

Opus

Our share of the profits from Opus Energy Group Limited ("Opus"), in which we maintain a 20% stake, increased during the year to £4.7m (2013: £3.4m). This excellent result reflects a continuing strong trading performance, and the further steady progress they have made in supplying gas alongside electricity into the small business and corporate sector, for which they are now buying renewable energy from over 500 small UK generators Opus revenues increased by 17.6% to just over £434m (2013 £369m) and profit before tax increased from £22.4m to £30.2m.

We remain encouraged by the resilience of the business model and the strength and experience of the Opus management team, and expect to receive a dividend of approximately £4 1m in July 2014. Our shareholding in Opus is valued on our balance sheet at £8 8m in line with standard accounting policy, notwithstanding the likelihood that its market value is substantially in excess of this figure; we are extremely pleased to have such significant exposure to this rapidly growing, profitable and highly cash generative business.

New Energy Supply Arrangements

In December 2013 we improved the commercial terms of our energy supply arrangements with Npower by acquiring Electricity Plus Supply Limited and Gas Plus Supply Limited for a total consideration of £218m (of which £21.5m is deferred for three years).

To fund this transaction and other working capital requirements associated with our recent rapid organic growth, we raised £130m of equity from shareholders and £100m of debt from Barclays Bank. The debt is due to be repaid over three years, as set out in note 12 to the financial statements on page 98.

This transaction has given rise to the creation of a significant intangible asset in the balance sheet of the Group. In accordance with the relevant accounting standards, we will be amortising it on a straight-line basis over the 20 year life of the new energy supply arrangements. As this amortisation is a non-cash item, and unrelated to the underlying trading performance of the business, the financial results on which we will be focussing each year will exclude any impact from this amortisation.

Cash, Capital Expenditure and Working Capital

Our cash balances at the year-end increased to £45.4m (2013: £3.4m). This reflects continuing strong underlying operational cash generation, combined with advance funding from Npower to cover various industry related costs which they were paying directly prior to the new energy supply agreement coming into effect

Cash outflows are expected to be significantly higher this year, as we complete the £20m refurbishment of our new headquarters office building, support our distribution channel with branded BMW Minis and Tablets, and fund growing demand from customers for 'free' Smartphones. Facilities have been arranged with Barclays Bank to enable us to fund these costs without affecting our progressive dividend policy

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

Under the terms of the new energy supply arrangements Npower remains responsible for funding the working capital requirements associated with our energy budget plan customers.

Borrowings

Our balance sheet at the year end shows a net debt position of £53.6m (2013: net cash £0.8m) which principally reflects the impact of the £100m we borrowed from Barclays to help fund the recent transaction with Npower

Dividend

The final dividend of 19p per share (2013: 18p) will be paid on 1 August 2014 to shareholders on the register at the close of business on 18 July 2014 and is subject to approval by shareholders at the Company's Annual General Meeting which will be held on 15 July 2014 This makes a total dividend payable for the year of 35p (2013: 31p).

We remain firmly committed to a progressive dividend policy, but the level of distributions to shareholders for the current year will need to reflect the impact of starting to repay the borrowings we arranged in December to part-fund our recent transaction with Npower Our current expectation is that the total dividend for the current year will therefore increase by around 15%, and thereafter that further growth in earnings from the level we achieve this year should be reflected in a corresponding rise in the level of distributions to shareholders.

Share Incentive Scheme Charges

Operating profit is stated after share incentive scheme charges of £4 2m (2013: £0 9m). These expenses relate to an accounting charge under IFRS 2 Share Based Payments ("IFRS 2").

As a result of the increasing relative importance of share incentive scheme charges as a proportion of our pre-tax profits, we are separately disclosing this amount within the Consolidated Statement of Comprehensive Income for the period (and excluding these charges from our calculation of adjusted profits and earnings) The increase in this charge mainly reflects the strong rise in the Company's share price during the financial year, and therefore separate disclosure is considered appropriate so that the underlying performance of the business can be clearly identified.

In accordance with IFRS 2, awards made under the Company's JSOP share incentive scheme are deemed to be cash-settled However, whilst approximately £3.4m (2013: £0.4m) of the share incentive scheme charges during the year relate to JSOP awards, and could therefore be settled in cash, in practice it is expected that any settlement of awards under the JSOP will be made in equity. Our current earnings per share have therefore been adjusted to eliminate these share incentive scheme charges

Taxation

A full analysis of the taxation charge for the year is set out in note 4 to the financial statements. The tax charge for the year is £7.7m (2013: £7.6m).

The effective tax rate for the year was 20 9% (2013· 21 8%).

Chris Houghton
Finance Director
20 May 2014

Principal Risks and Uncertainties

Background

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

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

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

Business model

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

The Group's services are promoted using 'word of mouth' by a large network of independent Partners, who are paid solely on a commission basis. This means that the Group has minimal fixed costs associated with acquiring new 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 relation to customer service, reputational risk is principally mitigated through the Group's recruitment processes, a focus on closely monitoring staff performance, including the use of direct customer feedback surveys (Net Promoter Score), and through the provision of rigorous staff training.

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

Information technology risk

The Group is dependent on its proprietary billing and customer management software for the successful operation of its business model. This software is developed and maintained in accordance with the changing needs of the business by a team of highly skilled, long-standing, motivated and experienced individuals.

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

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

Legislative and regulatory risk

The Group is subject to varying laws and regulations, including possible adverse effects from European regulatory intervention. The energy markets in the UK and Continental Europe are subject to comprehensive operating requirements as defined by the relevant sector regulators and/or government departments Amendments to the regulatory regime could have an impact on the Group's ability to achieve its financial goals 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 maintain an effective relationship with Ofgem and comply with its licence obligations, it could be subject to fines or to the removal of its respective licences.

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

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

However, it should be noted that the regulatory environment for the various markets in which the Group operates is generally focussed on promoting competition. As one of the new entrants, it seems reasonable to expect that most such changes will broadly be beneficial to the Group, given the Group's relatively small size compared to the former monopoly incumbents with whom it competes, although these changes, and their actual impact, remain uncertain at present. Furthermore, the governmental focus on reform of the energy market and the recently announced investigation by the Competition and Markets Authority, appears to be targeted at the large vertically integrated suppliers, with consideration being given to the desirability of breaking the link between energy generation and retail supply.

Political and consumer concern over rising energy prices and fuel poverty may lead to further reviews of the energy market which could result in further consumer protection legislation being introduced through energy supply licences. The Government could also choose to introduce adverse measures such as a windfall tax on the Group or price controls for certain customer segments In addition, political and regulatory developments affecting the energy markets within which the Group operates may have a material adverse effect on the Group's business, results of operations and overall financial condition, although the proposed Labour Party energy price freeze for 20 months following the forthcoming election is not expected to put pressure on the margins of the Group if implemented

Financing risk

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

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

Fraud and bad debt risk

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

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

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

Wholesale prices risk

The Group does not own or operate any utility network infrastructure itself, choosing instead to purchase the capacity needed from third parties. The advantage of this approach is that the Group is protected from technological risk, capacity risk or the risk of obsolescence, as it can purchase the amount of each service required to meet its 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 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 its clearly differentiated route to market has historically proven attractive to potential partners, who compete aggressively to secure a share of the Group's growing business.

The supply of energy, which accounts for an increasing proportion of sales each year, has different risks associated with it. The wholesale price can be extremely volatile, and customer demand can be subject to considerable short term fluctuations depending on the weather. The Group has a long-standing supply relationship with Npower under which the latter assumes the substantive risks and rewards of hedging and buying energy for the Group's customers. If the Group did not have the benefit of this long term supply agreement it would be exposed to the pricing risk of securing access to the necessary energy on the open market

Competitive risk

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

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

Infrastructure risk

The provision of services to the Group's 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 be sourced from another provider.

People and Organisation

Employees

We rely on the combined efforts of around 740 employees to manage relationships with both our Members and Partners, and deliver a consistently high quality of service at all times. We pay considerable attention to recruiting, developing and retaining people with appropriate skills

We continue to recruit new members of staff through our own Assessment Centre designed to give the Company greater control over the recruitment process and to ensure we select the very best candidates for our positions. Once they have joined, new starters go through a structured training programme to ensure that they are fully equipped to resolve any customer queries and to provide the high level of customer service that we demand. Everyone who successfully completes this programme celebrates their achievement at a quarterly graduation ceremony, where they are presented with a certificate and champagne by the Chief Executive.

The combination of valuing and developing our staff, our service-oriented culture and the day-to-day reinforcement of our core values are key competitive advantages in enabling us to attract and retain a motivated, talented and diverse workforce.

We continue to invest in our people, and have comprehensive Manager and Supervisor development programmes, which are accompanied by selective executive coaching. We have introduced an online learning portal to assist in the development of all our employees, and make available a wide range of 'Skills Builder Courses' in addition to e-learning modules. We promote from within where possible into both specialist and managerial roles.

Our monthly Employee Recognition Awards enable the Company to celebrate and reward employees who have gone 'over and above' in the performance of their role.

We actively seek to engage all our employees in changes that may concern them, rather than just a representative few on a committee. An example of this was while we were rolling out a workforce management system recently, when all members of staff were engaged in group discussions. Also, when we introduced our Mission Statement to become the Nation's most trusted utility company, we collaborated with each department in dialogue groups to help them frame their own personal mission statements. We monitor employee engagement with an internal Staff Survey, which shows high levels of satisfaction; this year 90% of employees who responded stated that they enjoy working for the Company. We keep employees informed on a regular basis of the financial performance of the business and other matters of potential concern to them, through the Company intranet, ad-hoc emails, the monthly Company newsletter and quarterly breakfast forums with the Chief Executive

We operate an 'open-door' policy throughout the business, provide employees with various mechanisms for providing feedback and making suggestions, and include open ended questions within the staff survey.

We have an active staff social committee which organises a wide range of events, supported by the Company, including the annual summer and Christmas parties, poker evenings, quiz nights and many other ad hoc fun events This year, to mark reaching half a million customers, a week of fun celebrations was organised for all our members of staff. We also have a 'Fun Fund' set aside for departmental social events.

We promote staff wellbeing, through an employee assistance helpline, subsidised on-site fitness classes, periodic at-desk massages, healthy meal options in the staff restaurant and a cycle to work scheme. Each September we run our 'Fit Pig Week' to promote health and well-being within the Company with a range of fun events and incentives. This year we introduced a medical healthcare cash plan ('Medicash') allowing employees to obtain cover at a corporate rate.

We continue to invest in our premises as necessary, to ensure the working environment is as attractive as possible, consistent with the practical needs of running the business. With the exception of our logistics team, all our employees work together in Network HQ, our Head Office building in London. We operate a heavily subsidised staff restaurant, and provide a recreation room in both our Head Office and warehouse premises. We provide a wide range of other staff benefits including a significant discount on the services we provide, employee loans at preferential interest rates, a generous Christmas bonus scheme and recognition for five and 10 years' service.

We are pleased to report that average levels of staff absence this year remained below 6 days per year, in line with the encouragingly low level we achieved during the preceding year.

The Company operates an HM Revenue and Customs approved employee share option plan, under which employees are granted options to purchase shares in the Company which are exercisable between three and ten years from the date of grant. The exercise price is the market price at the time of granting the option Our policy is to issue options to all employees after the satisfactory completion of their probationary period, and additional options when 10 years' service has been completed and in other appropriate circumstances (e.g. promotion). As at 31 March 2014 there were outstanding options over 1,418,833 shares which had been granted to staff, representing approximately 1.8% of the issued share capital of the Company

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

We encourage all employees to participate in a stakeholder pension scheme operated by Aviva Participants can choose their own contribution level, which is matched by the Company within certain limits, depending on length of service. During the year we implemented pension auto-enrolment in accordance with legislation and the Company is therefore now contributing to the pension funds of virtually all employees, on a monthly basis.

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

Diversity

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

The table below sets out a breakdown of the gender diversity at various levels within the organisation.

	2014		2013	
	Male	**Female**	**Male**	**Female**
Board	6	-	6	-
Senior Managers	12	4	10	5
Employees	434	286	369	254

The Board's position in relation to the Code requirement to set out measurable objectives in relation to Board diversity is set out in the Corporate Governance Statement on page 35.

Corporate Responsibility

Environment

We are conscious of the role we have to play in minimising the environmental impact of our activities

We operate an energy efficiency helpline to provide advice to customers on how they can reduce their energy usage, we enable qualifying customers to access free home insulation, we actively promote Feed-In Tariffs; and we encourage customers to monitor their energy usage by providing regular meter readings.

Since moving to an online customer application process, we have reduced the amount of printed marketing materials we are using, and seen a significant increase in the proportion of new members choosing not to receive a paper bill each month.

We participate in a waste paper recycling programme, with a certificated saving of 298 trees and 39,370kg of CO_2 during the year, we also recycle all of our cardboard, and use only fsc-certified paper, our office lighting is low-energy, and controlled by motion sensors, which automatically turn off lights in unused areas of the building; our air-conditioning is constantly monitored, and is zonal to small areas, allowing close management of heating and cooling.

We recycle both mobile phones and toner cartridges, within the scope of our annual Charity Partnership.

Greenhouse Gas Emissions Statement

The greenhouse gas ("GHG") emissions statement below provides a summary of the Company's greenhouse gas (carbon) emissions from 1 April 2013 to 31 March 2014. It gives a summary of emissions from fuel combustion and the operation of our facilities (which include our offices and company cars, scope 1), and from our purchased electricity use during the year (scope 2).

We have adopted the operational control approach, as defined in the Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard (Revised Edition) 2004, therefore emissions associated with our customers' energy usage, the activities of our independent distributors and the supply of energy from Npower are not included in this statement as they are outside the Company's operational control

Global GHG emissions for period 1 April 2013 to 31 March 2014

	Total emissions (tonnes CO2e)
Emissions from combustion of fuel (scope 1)	57.4
Process or fugitive emissions (scope 1)	13.1
Emissions from electricity, heat, steam and cooling purchased for own use (scope 2)	995 0
Total emissions	1,065.5
Intensity: Emissions per full time employee (FTE)	1.56 tCO2e/FTE

Methodology

We have reported on all the emissions sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our own business activities over which we have operational control.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered from our own operations, and emissions factors from UK Government's Conversion Factors for Company Reporting 2013

Social Engagement

During the year we chose Breast Cancer Campaign and Prostate Cancer UK as our joint Charity Partners and were delighted to support the activities of our Staff, Members and Partners in helping them raise a total of £83,000 during the year. We look forward to raising a similar sum to help these extremely worthwhile causes again over the coming year.

Human Rights

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

Strategic Report Approval

The Strategic Report, set out on pages 2 to 31, which incorporates the Financial and Operating Highlights, the Chairman's Statement, the Chief Executive's Review, the Financial Review, Principal Risks and Uncertainties, People and Organisation and Corporate Responsibility, has been duly approved by the Board.

By order of the Board
David Baxter
Company Secretary
20 May 2014

Board of Directors

The Hon. Charles Wigoder, Executive Chairman
Charles, aged 54, qualified as a Chartered Accountant with KPMG in 1984 and was subsequently employed by Kleinwort Securities as an investment analyst in the media and communication sectors. Between 1985 and 1988, he was head of corporate finance and development at Carlton Communications PLC and then Quadrant Group PLC. In March 1988 he left Quadrant Group to set up The Peoples Phone Company PLC, which was subsequently purchased by Vodafone in December 1996. He joined the Company in February 1998.

Julian Schild, Deputy Chairman and Senior Non-Executive Director
Julian, aged 54, qualified as a Chartered Accountant in 1986. He joined Huntleigh Technology PLC in 1987 and was promoted to Group Finance Director that year, and to Chairman in 2003. Julian was Chairman of the Association of British Healthcare Industries from 2006 to 2007 Following the sale of Huntleigh in 2007, he set up a company investing in start-ups Julian actively supports many charitable activities. He is a Director of the Hospital of St John & Elizabeth in London and is an Advisory Fellow of Pembroke College, Oxford. Julian joined the Company in May 2010 as an independent non-executive director and meets the test of independence under section B.1 1 of the UK Corporate Governance Code.

Andrew Lindsay MBE, Chief Executive Officer
Andrew, aged 37, joined the Company in April 2007 and was appointed to the Board in November 2008 Before joining Telecom Plus, Andrew was Managing Director of Ryness, an electrical retail chain based in London in which he previously held a significant equity stake after performing a Management Buyout in 2006 Prior to buying Ryness, he spent three years as an analyst in the UK Mergers & Acquisitions team at Goldman Sachs. Andrew rowed for Great Britain at the Sydney Olympic Games in 2000, where he won a Gold medal.

Chris Houghton, Finance Director
Chris, aged 35, qualified as a Chartered Accountant with PricewaterhouseCoopers in 2003. Whilst there he gained experience in both their Consumer Products team and also in their Telecoms, Information, Communications, Entertainment and Energy team Subsequently, he worked within the Corporate Finance department, where he completed a two-year secondment at The Takeover Panel He joined the Company in September 2008 and was appointed Finance Director in February 2009.

Melvin Lawson, Non-Executive Director
Melvin, aged 55, is the Managing Director of A Beckman PLC, a company formerly listed on the London Stock Exchange which was taken private in 1995 He has interests in a wide range of investments and is a director of Catalyst Media Group PLC and a number of other companies He joined the Company in September 2006 and meets the test of independence under section B.1.1 of the UK Corporate Governance Code

Michael Pavia, Non-Executive Director
Michael, aged 67, is a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW), and has significant experience of the energy industry, having served on the Boards of LASMO, SEEBOARD and London Electricity. He is currently a non-executive director of Thames Water, Wales and West Utilities and Salamander Energy PLC, and non-executive Chairman of PetroGranada Ltd. He joined the Company in December 2006 as an independent non-executive director and meets the test of independence under section B.1.1 of the UK Corporate Governance Code.

Corporate Governance Statement

Save in the limited instances explained below, the Board is pleased to report that during the year and as at the date of this Annual Report the Company has complied with the main principles and the provisions of the UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council in September 2012 Copies of the Code are available at www frc.org.uk

This report, together with the Director's Report on pages 64 to 67 and the Directors' Remuneration Report on pages 45 to 63, 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; (ii) putting the external audit out to tender; (iii) the specification of Board diversity targets; and (iv) the design of performance-related elements of remuneration, i e the requirement for awards to be phased rather than being granted in blocks.

The Board of Directors

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

Board Duties

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

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

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

Table of attendance at formal meetings during the year ended 31 March 2014

Name of Director	Board	Remuneration Committee	Audit Committee	Nomination Committee
Number of meetings	*11*	*4*	*4*	-
Charles Wigoder	11	-	-	-
Julian Schild	11	4	4	-
Andrew Lindsay	11	-	-	-
Chris Houghton	11	-	-	-
Melvin Lawson	11	4	4	-
Michael Pavia	11	4	4	-

In accordance with provision A.4.2 of the Code, the non-executive directors also met without the executives present during the year.

Board Evaluation

The directors recognise that the Code requires an external evaluation of the boards of FTSE 350 companies to be carried out at least every three years. However, the directors considered the position in relation to the current year and concluded that an external evaluation was not necessary. In reaching this conclusion the directors were mindful of the effective operation of the Board during the year and the continuing strong performance of the Company.

An internal evaluation of the Board for the current year was conducted through the completion of formal detailed board, and board committee evaluation questionnaires by each director In addition a review involving each director was carried out. This review was conducted by the Deputy Chairman and Company Secretary and principally covered the following areas: specific matters of concern arising from the board evaluation questionnaires, individual directors' performances and key objectives for the coming year, and the identification of any specific training and development requirements.

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

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

In accordance with provision B 6 3 of the Code and building on the results of the evaluation questionnaires, the Deputy Chairman led a separate evaluation of the performance of the Chairman. This evaluation principally comprised a review of the Chairman's leadership style and tone in promoting effective decision-making and ensuring constructive and sufficient debate took place around key issues The results of this evaluation were entirely satisfactory.

The evaluation concluded that overall the Board and its Committees had operated well during the year, with all directors making an effective contribution to the Board commensurate with their experience and responsibilities. However, as was also the case in previous years, the evaluation identified that succession planning remained an area that needed to be given greater focus.

Consistent with the requirement of the Code to ensure a progressive refreshing of the Board, the Nomination Committee has therefore been tasked with developing a firm plan for independent non-executive director succession over the coming year, to reflect the long service of both Michael Pavia and Melvin Lawson since their appointment to the Board in late 2006.

Board Balance and Diversity

The Board has remained unchanged during the year and consists of three executive directors and three independent non-executive directors. Julian Schild acts as the Company's Deputy Chairman and Senior Independent Non-Executive Director

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

Name of Director	Remuneration Committee	Audit Committee	Nomination Committee
Charles Wigoder	-	-	✓
Julian Schild*	Chairman	✓	✓
Andrew Lindsay	-	-	-
Chris Houghton	-	-	-
Melvin Lawson*	✓	✓	-
Michael Pavia*	✓	Chairman	Chairman

* indicates independent non-executive directors

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

The members of the Nomination Committee believe that the composition of the Board is currently appropriate for the size of the Company and the nature of its operations which have not materially changed in scope since the prior year However, the Committee appreciates that should the Company's situation change in future, then the appointment of new directors to the Board may be required.

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.

Notwithstanding the Code requirement to set out measurable objectives in relation to Board diversity, 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 27 to 29

Executive Chairman and Chief Executive Officer

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

The division of responsibilities between the Executive Chairman and Chief Executive has been set out in writing and agreed by the Board in accordance with the Code (provision A.2.1).

Supply of Information

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

Re-election

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

However, the Code requires that all directors of FTSE 350 companies be subject to annual re-election by shareholders. Therefore all the directors will be submitted for re-election at the forthcoming Annual General Meeting in 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 continue to make a valuable contribution to the commercial success of the Company, with each bringing a complementary range of skills to the team.

Remuneration Committee

The Board has a Remuneration Committee whose responsibility is to ensure that the remuneration of executive directors is sufficient to attract, retain and motivate people of the highest calibre. The Remuneration Committee comprises three independent non-executive directors, namely Julian Schild (Chairman of the Committee), Melvin Lawson and Michael Pavia. The Directors' Remuneration Report, giving the details of the emoluments of each director, may be found on pages 45 to 63.

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

Audit Committee

The Audit Committee comprises three independent non-executive directors, Michael Pavia (Chairman of the Committee), Melvin Lawson and Julian Schild in compliance with the Code (provision C.3.1). The activities of the Audit Committee are set out on pages 41 to 44.

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

External Auditor

The Audit Committee is mindful of the Code's requirement for FTSE 350 companies to put external audit contracts out to tender at least every ten years In March 2013 the Company's then auditor PKF (UK) LLP ("PKF"), which had been in place for over ten years, completed its merger with fellow accountancy firm BDO LLP ("BDO"). During PKF's tenure, and in accordance with ethical procedures, audit partners rotated every five years. The prior year represented the fifth and final year for the Company's then audit partner and the Committee would ordinarily have proposed that the external audit contract for the current year be put out to tender.

However, the Committee concluded that the merger of PKF and BDO increased the breadth of resources available to the Company for the conduct of the audit. The audit for the current year was led by a partner from the BDO side of the merger and therefore in practice the Committee felt that the audit was conducted by a new audit firm with few pre-conceptions and a fresh perspective, and as such this marks the first year of a fresh ten year cycle.

Nonetheless, and whilst the Committee is satisfied with the performance of BDO, it is conscious of the principles behind the requirement in the Code to tender the external audit and will therefore continue to closely monitor the performance, objectivity and independence of BDO Should any concerns arise in these areas then it is likely the Committee will reconsider its position in relation to tendering the audit contract within the current ten year period as set out in the Code.

Nomination Committee

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

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

The activities of the Nomination Committee are set out on page 40.

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 Finance Director. The Chief Executive provides feedback from major shareholders to the other directors, in order to ensure that Board members, and in particular non-executive directors, develop a balanced understanding of the views of major investors. The executive directors met with a number of the Company's main shareholders during the year

The Executive Chairman, Chief Executive and Finance Director also have periodic discussions with the Company's brokers and issues are fed back to the Board as appropriate. When reports are received from the Company's brokers following investor presentations, these are submitted to the Board for review. Additionally the non-executive directors have at least one opportunity each year to meet with the Company's brokers to discuss any issues

Responsibility for communication with key shareholders in relation to corporate governance and Board remuneration matters lies primarily with the Deputy Chairman who is assisted in this regard by the Company Secretary Individual invitations to engage with the Deputy Chairman were sent out to key shareholders during the year and, where requested, matters were discussed in more detail

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 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.

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

The Board of directors has continued to review the internal controls of the Company (including financial, operational and compliance controls and risk management) and the principal risks which the Company faces during the year. No material weaknesses in internal controls were identified during the year The principal risks faced by the Company and the measures taken to address these risks are set out in the Strategic Report on pages 22 to 26

The disclosures regarding internal controls do not encompass the Company's investment in the associate Opus Energy Group Limited.

Share Capital and Voting Rights

Details of the Company's share capital and substantial shareholdings can be found in the Directors' Report under the capital structure and substantial shareholders sections on pages 65 and 66.

By Order of the Board
David Baxter
Company Secretary
20 May 2014

Nomination Committee Report

The Nomination Committee comprises Michael Pavia (Chairman of the Committee), Julian Schild and Charles Wigoder and therefore has a majority of independent non-executive directors in compliance with the UK Corporate Governance Code (provision B.2.1).

The key responsibilities of the Nomination Committee include:

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

Although no new directors were appointed to the Board during the year, other Committee matters were periodically discussed as part of full Board meetings. These discussions principally concerned the appropriateness of the composition of the Board in the light of the Company's existing operations and medium-term strategic objectives, and succession planning for directors and senior management.

No changes to the Board were deemed necessary during the year although consistent with the requirement of the Code to ensure a progressive refreshing of the Board, the Committee has been tasked with developing a firm plan for independent non-executive director succession over the coming year, to reflect the long service of both Michael Pavia and Melvin Lawson since their appointment to the Board in late 2006.

The Committee's position in relation to diversity and the Code requirement to specify measurable objectives in this regard is set out in the Corporate Governance Statement on page 35 of this document.

Michael Pavia
Chairman of the Nomination Committee
On behalf of the Board
20 May 2014

Audit Committee Report

Introduction

The Audit Committee ("the Committee") comprises three independent non-executive directors, Michael Pavia (Chairman of the Committee), Julian Schild and Melvin Lawson in accordance with the UK Corporate Governance Code (the "Code") (provision C.3.1). Michael Pavia is also identified as having recent and relevant financial experience

The Audit Committee

Attendance at Committee meetings during the current year by Committee members is set out in the Corporate Governance Report on page 34 of this document. In accordance with best practice, the Committee has the opportunity, as required, to meet with the external auditor of the Company without the presence of any executive directors and has done so during the current year

The key responsibilities of the Committee include

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

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

The Committee's activities for the year ended 31 March 2014

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

The Committee's review of the financial statements included a detailed evaluation of the significant accounting issues therein. The actions taken by the Committee in regard to these are described in the table below

Issue	Action taken by the Committee
Operational accuracy of billing system	Review of external auditor procedures which included Computer Assisted Audit Techniques ("CAATs") Monitoring of regulator communications (Ofgem, BABT) and monthly monitoring of detailed call centre statistics which would indicate significant billing issues
Valuation and recoverability of trade receivables	Review of key assumptions underlying the recoverability of trade receivables based on historical experience.
Revenue recognition and recoverability of unbilled energy revenues	Review of key assumptions underlying the recoverability of unbilled energy revenues based on industry reports and historical experience.
Accounting treatment for new energy supply arrangements	Review of key aspects of new energy supply arrangements to determine the most appropriate accounting treatment including whether the acquired entities fall within the scope of IFRS 3 Business Combinations.
Risk of management override of internal controls	Review of significant accounting estimates and judgements in relation mainly to receivables balances.

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

In accordance with the Code (provision C.3.5), the Audit Committee has also considered the need for an internal audit function at the Company and has concluded that, in the light of its review of the internal controls in place and the report of the external auditor, no such function is currently required.

External auditor effectiveness

The external auditor presents 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 remained satisfied with the effectiveness of the external auditor.

In reaching this conclusion, the Committee reviewed:

- the experience and expertise of the audit team;
- the scope and eventual fulfilment of the detailed audit strategy;
- 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 BDO LLP ("BDO") as the Company's external auditor for the coming year.

The Committee's position in relation to BDO's tenure and the audit tendering requirements of the Code are set out in the Corporate Governance Statement on page 37.

External auditor independence

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

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

During the year the Audit Committee pre-approved the provision of reporting accountant services to the Company by the external auditor relating to the new energy supply arrangements with Npower which included the acquisition of Electricity Plus Supply Limited and Gas Plus Supply Limited from Npower Limited ("the Engagement"). The Committee reviewed the services to be provided under the terms of the Engagement and concluded that in the light of the nature of the work proposed, and the level of the associated fees (as set out in note 2 of the financial statements on page 88 of this document), the external auditor's objectivity and independence would not be compromised

Furthermore the Committee concluded that the external auditor was best placed to provide the services given the tight timetable for the Engagement and the external auditor's inherent understanding of the Company's existing energy supply arrangements with Npower which were integral to the transaction

The Committee's conclusion in relation to the external auditor's objectivity and independence was based on the following key points against the background of the APB's Ethical Standards. (i) the external auditor would not be undertaking any decisions on behalf of management, providing investment advice or acting as an advocate for the Company as a result of the Engagement; (ii) the fee for the Engagement was not contingent, was priced on a consistent basis to other similar projects and was not material to either the external auditor or the

Company, (iii) the subject matter relating to the Engagement would not be incorporated into the Company's financial statements and therefore no self-review threat existed; (iv) the Engagement was to be completed well before the commencement of the audit for the year ended 31 March 2014 and therefore could not conceivably unduly influence the conduct of the audit; and (v) the Engagement would not pose a threat to independence through increased familiarity of audit personnel with the Company as the main aspects of the Engagement were to be carried out by a completely separate department within the external auditor's organisation.

Reporting of staff concerns

The Chairman of the Audit Committee, Michael Pavia, is the primary point of contact for staff of the Company to raise, in confidence, concerns they may have over possible improprieties, financial or otherwise. All employees have been notified of this arrangement on the Company's intranet website which sets out Michael Pavia's contact details (Code provision C 3 4) No such matters were raised by employees during the current year.

Michael Pavia
Chairman of the Audit Committee
On behalf of the Board
20 May 2014

Directors' Remuneration Report

Annual Statement

Dear Shareholder,

I am delighted to have the opportunity to provide an introduction to the Remuneration Committee report which appears on pages 46 to 63.

Telecom Plus has had a successful year's trading (as detailed elsewhere in the Annual Report) and the new energy supply arrangements with Npower are a testament to the vision, enterprise and dedication of the executive team.

The Company's remuneration policy is set in full on pages 46 to 53. We are totally aware that we operate within a competitive environment and aim to reward senior executives fairly - but not excessively. We would not expect total remuneration to fall within the upper quartile relative to comparable organisations over the long term.

At present, executive directors are not paid bonuses in either cash or shares. The Committee's view is that full alignment of interest between executives and shareholders is achieved through the grant of market price share incentives at periodic intervals. Thus, unless the share price increases the executive director receives nothing beyond his basic salary and fringe benefits.

As part of our remit, we have reviewed the performance of the Chief Executive and Finance Director. We felt it appropriate to increase Andrew Lindsay's base salary by 8.3% particularly in view of the greater range of responsibilities undertaken by him during the year. Chris Houghton's salary was judged to be below current market rates; he received an increase of 33.3% and a further award of share options. The Committee has acknowledged investor feedback and raised the performance conditions thresholds required for these options to vest.

Andrew Lindsay played an outstanding role in the successful negotiation of the new energy supply arrangements with Npower. Over the next few years he will be leading the team to ensure that Telecom Plus, its shareholders and customers derive maximum benefit from the exciting opportunities it brings. We anticipate granting further market value options to Andrew Lindsay later this year vesting over three, five and seven years reflecting the contribution that we expect him to make towards the achievement of the Company's objectives

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

Julian Schild
Chairman of the Remuneration Committee
20 May 2014

Remuneration Policy

Remuneration Committee

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

The Committee met formally four times during the year and details of attendance at this meeting are provided in the Corporate Governance Statement on page 34.

The Committee's principal activities during the year included.

- Reviewing and approving executive remuneration packages,
- Monitoring senior management remuneration packages;
- Reviewing and approving the issue of share options to the Finance Director, certain employees and independent distributors of the Company; and
- Determining the performance conditions attached to the issue of share options.

Remuneration Policy Introduction

The Company's overall remuneration policy remains to ensure that the executive directors and other senior managers are fairly and responsibly rewarded for their individual contribution to the overall long term performance of the Company, in a manner that ensures that the Company is able to attract, motivate, and retain executives of the quality necessary to ensure the successful management of the Company.

The Company's current remuneration policy is based on the principle that the fortunes of the directors and senior management should be directly aligned with those of external shareholders, and this is predominantly achieved through the use of share incentive plans The Remuneration Committee currently believes that share incentive awards granted at market value provide a far more transparent method by which to directly align each director's interests with all shareholders when compared to the payment of regular annual cash bonuses based on short-term performance measures and/or the granting of 'free' shares with little or no downside risk to the participant.

The outstanding awards made under share incentive schemes to date are broadly consistent with the future policy set out below and, for the avoidance of doubt, will remain in place until exercise.

The future remuneration policy described in this part of the report has been prepared in accordance with the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in August 2013), and is intended to apply for the three years beginning on the date of the forthcoming AGM, subject to shareholder approval at the meeting. The Committee will review the remuneration policy annually to ensure it remains appropriate for the Company's requirements and consistent with market practice, however there is no current intention to revise the policy more frequently than every three years

Future Remuneration Policy Table

How component supports strategic objectives	Operation of component	Maximum potential value of component	Performance metrics used, weighting and time periods
Base Salary			
To recognise status and responsibility to deliver operational strategy on a day-to-day basis	Base salary is paid in 12 equal monthly instalments during the year Base salaries are reviewed annually and any changes are effective from 1 April each year	Increases normally for inflation and in line with other employees, or in order to ensure that base salaries properly reflect the size, complexity and growth rate of the Company relative to other FTSE 250 companies Increases may also reflect any change in the level of responsibility of the director (whether through a change in role or an increase in the scale and/or scope of the activities carried out by the Company) or an increase in experience and knowledge of the Company and its markets	None, although overall performance of the individual is considered by the Committee when setting and reviewing salaries
Benefits			
To provide benefits commensurate with the role and market practice	The Company pays for private healthcare for each director and their immediate family The Company provides company cars for executive directors where appropriate The Company provides death in service benefits up to a maximum of four times annual base salary (subject to prevailing policy caps) The Committee reserves the right to introduce other benefits should this be necessary to attract and/or retain key executive directors In relation to new directors the Company will pay for reasonable relocation expenses where required	Market cost of the provision of private healthcare, company cars and other benefits as applicable from time to time	None
Annual Bonus			
No regular annual cash bonus scheme is currently in place although the Committee wishes to retain the flexibility to introduce such a scheme should it be deemed necessary to attract and retain high calibre executive directors in future	Bonus payment to be dependent on achievement of performance measures	Maximum potential bonus of 200% of annual Base Salary, including the value of any share incentive awards granted, as detailed below The overall combined limit for annual cash bonuses and share incentive awards to be 200% of annual Base Salary In years where no bonus is awarded and/or no grant of share	Performance measures are likely to include similar metrics to the Company performance measures used for share incentive schemes described below coupled with short term strategic or operational objectives specific to the individual director Save in exceptional

		incentives is made to a director the maximum grant limit of 200% can be accumulated and/or brought forward to be used in other years	circumstances, directors will be required to reinvest 25% of any bonus payment (after tax) in the Company's shares at the prevailing market price These shares are then expected to be retained for the director's period of service
Individual Cash Bonus			
Only paid to recognise an exceptional short term contribution to a discrete project outside the ordinary course of business requiring the director to commit time and effort significantly over and above their normal duties	Bonus to be paid at the discretion of the Remuneration Committee and based on the formal recommendation of the Chairman	Maximum potential bonus of 10% of base salary in any one year	Remuneration Committee to evaluate the contribution of the director to any project outside the ordinary course of business with a particular emphasis on the level of commitment made by the director and the complexity and importance of the project to the strategic success of the Company
Share Incentive Schemes			
To directly align the directors' interests with those of all other shareholders	Issue of share incentives at market price on the date of grant which provide direct and transparent exposure to the Company share price for the director Share Incentive Schemes include HMRC approved share option awards, unapproved share option awards and/or the issue of joint interests in shares under the Joint Share Ownership Plan	Maximum grant value equivalent to 200% of salary per annum, assuming that no annual cash bonus has been awarded during that year Grants made periodically, with awards vesting over 3 to 7 years Larger awards may be made but any excess over 200% will be carried forward and taken into account in any future share incentive grants and/or bonus payments Grant value of share incentives to be determined in accordance with FRC Reporting Lab guidance issued in March 2013, i e share options to be valued at one third of the market value of the shares under option Vesting is dependent on service and the achievement of performance conditions 30% vests at threshold performance	Service and performance conditions must be met over the vesting period, weighted average of three performance measures typically used for Chief Executive and Finance Director • Adjusted EPS growth • TSR growth • Service number growth Weighting of each measure to be determined by the Remuneration Committee and dependent on each director's role and strategic responsibility The Committee also retains the ability to amend the performance conditions for future grants to ensure that they appropriately reflect the strategic responsibilities of the director concerned
Pension			
To provide funding for retirement	Defined contribution pension scheme open to all employees and executive directors	Company contributes up to a maximum of 20% of Base Salary per annum	None

Shareholding Requirement			
To strengthen the long term alignment of directors' interests with those of all shareholders	Shareholding requirement policy is primarily driven from the issue of shares resulting from the exercise of awards made under the Share Incentive Schemes	Subject to personal circumstances and existing shareholding level, and the payment of relevant taxes, directors are encouraged to retain 25% of the shares resulting from each exercise of awards made under the Share Incentive Schemes	N/A

Choice of performance measures

The Committee has chosen the performance measures described in the table above as these are deemed to directly align the executive directors' interests with those of all shareholders in an easily understood and transparent manner

The performance measures comprise a combination of relative TSR, Adjusted EPS (excluding share incentive scheme charges and amortisation of intangible assets) and service number growth measures. Adjusted EPS is considered appropriate as a key strategic objective of the Company is to drive profitable growth in each year. It also provides a balance to relative TSR, which considers shareholder value creation and reflects market expectations of future performance, and absolute service number growth which, when achieved responsibly, will also drive long-term value creation

The use of relative TSR and Adjusted EPS growth measures provides a combined focus on the Company's financial performance and shareholder value creation. Targets for Adjusted EPS are set by reference to internal budgeting plans and external market expectations TSR targets are set on a standard practice, median to upper quartile ranking range Only 30% of share incentive awards vest for threshold levels of performance.

The Committee wishes to retain the ability to change the composition of performance conditions for future grants to directors should this be required in order to appropriately reflect the strategic responsibilities of the particular director concerned.

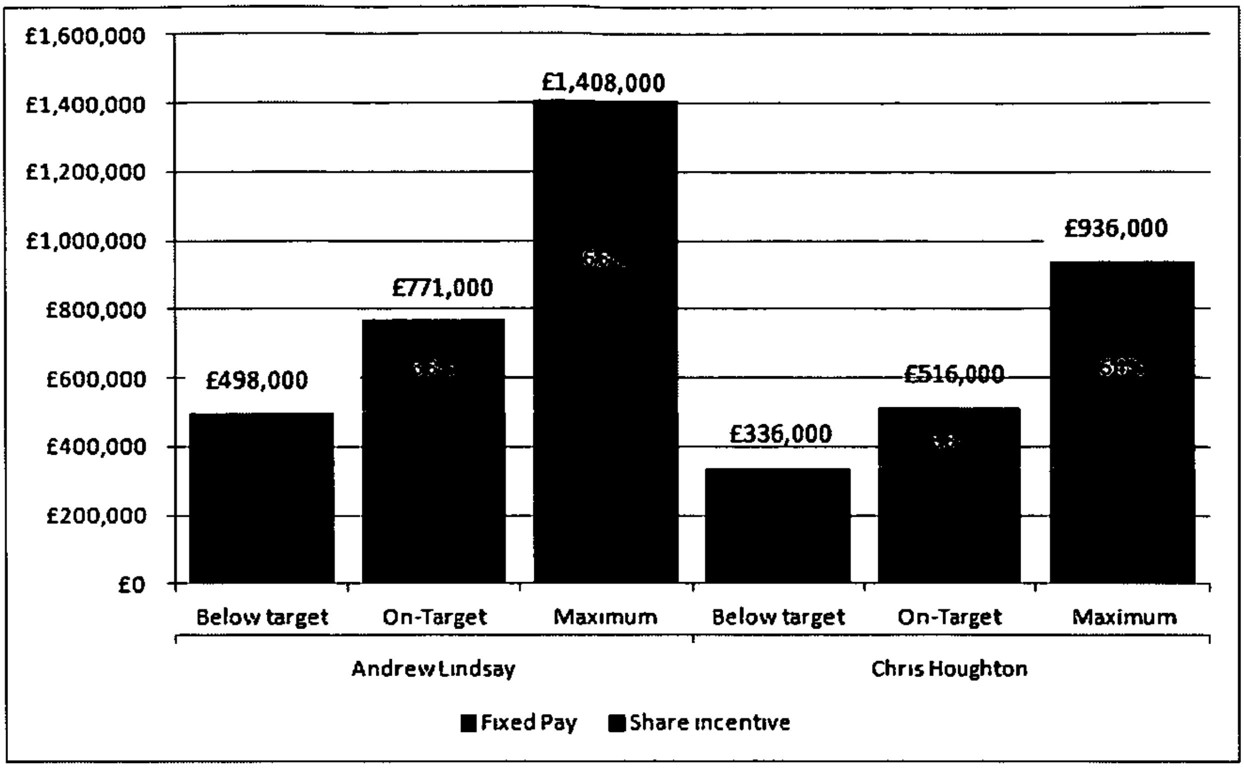
Illustrative application of remuneration policy

The bar chart below seeks to illustrate the potential rewards available under the proposed remuneration policy for the coming financial year under varying levels of performance. For the purposes of the illustration the values assume the maximum grant of share incentive awards during the year and no annual cash bonuses are paid. However, as outlined in the above table, the Remuneration Committee reserves the right to bring or carry forward any unused annual share incentive scheme allowances. Therefore, share incentives might not be awarded during a particular year, and/or share incentive awards may be larger than 200% of base salary in any one year

The amounts included for share incentive awards are based on one third of the market value of the shares under option. The amounts for pensions and benefits included in the fixed remuneration figure have been calculated on the same basis as payments made for the year ended 31 March 2014.

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

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



The Executive Chairman, Mr Wigoder, has not been included in the above bar chart as he only receives fixed remuneration due to the size of his existing shareholding in the Company.

Service contracts and policy for payment for loss of office

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

Standard provision	Policy	Details	Other provisions in service contracts
Notice periods in executive directors' service contracts	6 - 12 months notice from the Company 6 - 12 months notice from the executive director	Executive directors may be required to work during notice period or may be provided with pay in lieu of notice if not required to work full notice All executive directors are subject to annual re-election by shareholders	N/A
Compensation for loss of office in service contracts	No more than base salary, benefits and pension contributions for the period of the executive director's notice No contractual provision for additional compensation in the event of loss of office resulting from poor performance	Any statutory entitlements or sums to settle or compromise claims in connection with any termination of office would need to be paid as necessary, subject to the fulfilment of the director's duty to mitigate their loss	N/A
Treatment of unvested share incentive scheme awards under plan rules	All awards lapse except for "good leavers" i e death, injury, disability, redundancy, retirement or where the employing company or the	A "good leaver" may exercise any subsisting share options within the period of 6 months from the date of cessation of employment	N/A

	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	If a participant ceases to be employed within the Group otherwise than as a "good leaver", no unvested share options held shall be exercisable after the date of such cessation unless the Remuneration Committee in its absolute discretion (provided that such discretion must be exercised fairly and reasonably) so decides but for a period of not more than 12 months from the date of cessation The Committee considers it unlikely that such discretion would be used in the event of a participant ceasing to be employed by the Company as a "bad leaver" In relation to unvested awards made under the Joint Share Ownership Plan ("JSOP") for a "good leaver", the Remuneration Committee will specify the extent to which such awards should vest having regard to the length of time since the award was acquired and the director's performance to that date If a participant in the JSOP ceases to be employed within the Group otherwise than as a "good leaver", any unvested awards will be forfeited	
Exercise of discretion	Discretion to be used only in exceptional circumstances	The Remuneration Committee will take into account the recent performance of the director and the Company, and the nature of the circumstances around the executive director's departure	N/A
Non-Executive Directors	Non-executive directors are appointed for an initial term of one year which is then reviewed by the Board on annual basis thereafter	Non-executive directors are all subject to annual re-election by shareholders at the Company's AGM each year Non-executive directors have a three month notice period and there is no provision for compensation if required to stand down	Non-executive directors have the right to seek independent professional advice at the expense of the Company in the pursuance of their duties

Approach to recruitment remuneration

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

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

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

Non-executive directors' fees policy

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

Statement of consideration of shareholder views

The Chairman of the Committee engages with certain of the Company's largest shareholders who have expressed an interest in being consulted in relation to remuneration matters to understand their expectations and monitor any changes in their views. This year, major shareholders who had previously indicated an interest in being consulted were contacted in relation to the setting of performance conditions for share incentive scheme awards. As a result of previous feedback received, and as described in the Remuneration Committee report for this year below, the Committee decided to reduce the threshold vesting level for share options and increase the level of challenge in the performance conditions set.

Statement of consideration of employment conditions elsewhere in the group

The Committee considers pay levels across the organisation when setting remuneration for all directors (both executives and non-executives). However this review is undertaken against a background of ensuring that the prevailing market rates for all levels of employee in the organisation are taken into account in order to attract, retain and motivate the best employees at each level In relation to directors, specific account is taken of any change in the level of responsibility of the director (whether through a change in role or the increased size of the

Company) or an increase in experience and knowledge of the Company and its markets which may not be relevant to roles elsewhere in the Company.

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

Annual Report on Remuneration

This report, which has been prepared in accordance with the provisions of the UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council in September 2012 and Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in August 2013) ("the Regulations"), has been approved by the Board of directors for submission to shareholders for approval at the forthcoming Annual General Meeting. The sections under the headings "Single Total Figure of Remuneration", parts of "Share Incentive Schemes" and "Pension Schemes" have been subject to external audit.

Single Total Figure of Remuneration

The Committee recommended increases to the annual base salaries of each of the executive directors during the year Mr Wigoder received an increase of 2.8% to £370,000 and Mr Lindsay an increase of 8 3% to £390,000. Mr Houghton received a larger percentage increase of approximately 33.3% to £300,000 in recognition of the increasing responsibility and complexity inherent in his role, his growing experience of the Company and its markets, and to reflect the fact that his previous salary was considerably below the market rate for Finance Directors of FTSE 250 companies of a similar size. However, given the recent increases made to his salary over the past two years, Mr Houghton is not expected to receive routine salary increases of this magnitude in future.

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

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

Year ended 31 March 2014 (audited)

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

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

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

Neither Mr Lindsay nor Mr Houghton held share incentive awards where final vesting was determined as a result of the achievement of performance conditions relating to a period ending in the financial year to 31 March 2013 or 31 March 2014.

Year ended 31 March 2013 (audited)

	Salary & Fees £'000	Taxable Benefits £'000	Pension Contributions £'000	Share Incentives £'000	Total £'000
Charles Wigoder	360	5	36	-	401
Julian Schild	35	-	-	-	35
Andrew Lindsay	360	3	36	-	399
Chris Houghton	225	3	23	-	251
Melvin Lawson	12	-	-	-	12
Michael Pavia	21	-	-	-	21
	1,013	11	95	-	1,119

Share Incentive Schemes

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

The Employee Share Option Plan

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

The Committee recognises that the collective contribution of all employees is critical to the success of the Company and continues to believe that the granting of share options at all levels within the organisation generates employee loyalty and helps to ensure that staff turnover is kept to a minimum and below the levels seen across the industry for employees passing their probationary periods.

The Joint Share Ownership Plan

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

The Networkers and Consultants Share Option Plan

The Networkers and Consultants Share Option Plan exists to provide incentives and rewards to those distributors who have been most successful in gathering new customers for the Company. These distributors, whilst not being employees of the Company, are nevertheless essential to its future growth, and it is the opinion of the Committee that this plan can in some cases be an important factor in their motivation.

During the year options were issued in two tranches to 218 distributors under a share option promotion scheme which requires the participants to achieve performance conditions in order for the options to vest. These performance conditions will involve distributors consistently gathering customers throughout the three-year vesting periods of the options.

Statement of Directors' Shareholding and Share Interests (audited)

Details of the directors' shareholdings are set out in the Directors' Report on page 64 As set out in the Future Remuneration Policy Table above, a target level of share ownership is not stipulated for directors, however, subject to personal circumstances and existing shareholdings they are encouraged to retain a proportion of shares issued as a result of the exercise of share incentive awards.

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

	1 April 2013	Granted	Exercised	31 March 2014	Exercise price per share	Exercisable from	Expiry date
Andrew Lindsay							
Share options							
12 Jun 2008	217,400	-	217,400	-	330.5p	12 Jun 11	11 Jun 18
JSOP interest							
31 March 2011[1]	500,000	-	-	500,000	n/a	1 Apr 15	n/a
Chris Houghton							
10 Dec 2008	50,000	-	-	50,000	340p	10 Dec 11	9 Dec 18
26 June 2009	50,000	-	-	50,000	278p	26 Jun 12	25 Jun 19
26 June 2012	25,000	-	-	25,000	828p	26 Jun 15	25 Jun 22
26 June 2012	25,000	-	-	25,000	828p	26 Jun 17	25 Jun 22
16 Dec 2013	-	25,000	-	25,000	1739p	16 Dec 16	15 Dec 23
16 Dec 2013	-	25,000	-	25,000	1739p	16 Dec 18	15 Dec 23

[1] Shares held jointly with the JSOP Share Trust

The share options granted to Andrew Lindsay on 12 June 2008 were fully exercised on 26 February 2014 In accordance with the rules of the Employee Share Option Plan, the Company elected to satisfy these options by transferring 179,115 shares to Mr Lindsay at nominal value, representing the value of the gain made on these options at the market price for Ordinary Shares on the day of exercise.

Following the exercise of these options, Mr Lindsay sold 179,115 Ordinary Shares on 26 February 2014 for an average price of 1,853.34 pence per Ordinary Share. Following the sale of these shares Mr Lindsay retained an interest in 132,312 Ordinary Shares, excluding his joint interest in the award made under the JSOP detailed below.

The award of a joint interest in 500,000 shares made to Mr Lindsay on 31 March 2011 under the JSOP ("the JSOP Share Award") was made subject to performance conditions which were described in detail in the annual report for the year ended 31 March 2011. The interest Mr Lindsay holds in the JSOP Share Award allows him, subject to the achievement of the performance conditions summarised below, to receive any increase in the value of the 500,000 shares over the share price on the date of grant (£4 55) plus an annual compound growth rate of five per cent. This means that if Mr Lindsay were to exercise his award on the first date of vesting, 1 April 2015, he would receive any value over £5 53 per share.

The table below sets out the compound annual growth rates required during the vesting period across the three performance conditions which will determine the percentage of the 500,000 shares that will be used to calculate the total gain attributable to Mr Lindsay, e.g if the Company were to achieve compound annual EPS and TSR growth of exactly 5% over the vesting period the gain attributable to Mr Lindsay would be calculated based on the total value of 250,000 shares over the annual compound 5% Hurdle Rate The number of shares used to calculate the gain which Mr Lindsay will be entitled to receive on vesting will depend on the average growth achieved across the two highest performance conditions

Percentage of 500,000 shares	**EPS growth**	**TSR growth**[1]	**Service number growth**
100%	7.5%	7.5%	7 5%
50%	5.0%	5.0%	5.0%
50%-100%[2]	5.0%-7.5%	5 0%-7 5%	5.0%-7.5%
Nil	<5%	<5%	<5%

[1] compound annual share price growth assuming 22p annual dividend
[2] percentage of shares to be calculated on a straight line basis

The 50,000 options granted to Mr Houghton on 10 December 2008 were granted to him prior to his appointment to the Board on terms that performance conditions would not be imposed in respect of this grant. However, the 50,000 options granted to him on 26 June 2009 after his appointment to the Board were made subject to performance conditions which were described in detail in the annual report for the year ended 31 March 2010. The performance conditions in relation to these options were all met and the options have vested.

The 50,000 options granted to Mr Houghton on 26 June 2012 were also made subject to performance conditions which were described in detail in the annual report for the year ended 31 March 2013 and are summarised in the table below.

Percentage of options vesting	EPS growth	Relative TSR growth[1]	Service number growth
100%	CPI + 7 5%	Upper quartile	10%
50%	CPI + 5.0%	Median	5 0%
50%-100%[2]	CPI + 5.0%-7 5%	Median - Upper quartile	5.0%-10.0%
Nil	<CPI + 5.0%	Below median	<5 0%

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

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

A further 50,000 options were awarded to Mr Houghton on 16 December 2013. These options will vest in two discrete tranches of 25,000 over three and five year vesting periods, each representing shares with a face value of £434,750 representing approximately 150% of Mr Houghton's annual base salary. However, it should be noted that as market price options their value to Mr Houghton rests solely on the increase in the Company's share price from the point of grant. In accordance with guidance in the FRC's Lab Project Report: Reporting of pay and performance issued in March 2013, the value of market price share options can be measured as one third of the market value of the shares under option The total value of these options granted to Mr Houghton under this measure would therefore represent approximately 96% of his annual base salary for the year.

These options were made subject to performance conditions as described in detail below In determining the nature of these performance conditions, the Committee was mindful of views expressed by investors in relation to performance conditions previously used by the Company for share incentive awards. The Committee therefore decided to reduce the percentage level for threshold vesting to 30% and use a weighted average across the three performance conditions rather than allowing the flexibility of using the highest two of three measures.

The extent to which these options will vest will depend on the average growth, weighted equally in this instance, achieved across the three annual performance measures summarised in the table below:

Percentage of options vesting	Adjusted EPS growth	Relative TSR growth[1]	Service number growth
100%	CPI + 12.5%	Upper quartile	20.0%
30%	CPI + 5 0%	Median	10.0%
30%-100%[2]	CPI + 5 0%-12.5%	Median - Upper quartile	10.0%-20.0%
Nil	<CPI + 5.0%	Below median	<10.0%

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

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

The base year for the Adjusted EPS performance measure will be the Adjusted EPS for the year ended 31 March 2013, but re-based to reflect the impact of the revised terms of the new energy supply agreement agreed with Npower in December 2013, as set out in the prospectus issued by the Company to shareholders on 20 November 2013. The prospectus confirmed that, had the revised energy supply agreement been in place during the whole year ended 31 March 2013 the incremental pre-tax profit would have been £9.3 million This amount has therefore been used to re-base the Adjusted EPS for the year ended 31 March 2013.

At the year end the Company's share price was 1,793p and the range during the financial year was 1,035p to 1,914p. Details of all the directors' interests in the shares of the Company are set out in the table in the Directors' Report on page 64.

Directors' Contracts of Service

There are Service Contracts or Letters of Appointment for Charles Wigoder (5 May 2011), Andrew Lindsay (5 May 2011), Chris Houghton (16 February 2009), Julian Schild (25 May 2010), Melvin Lawson (27 September 2006), and Michael Pavia (13 December 2006) These provide notice periods of three months on either side for the non-executive directors and the following notice periods for the executive directors. Mr Wigoder twelve months on either side and Mr Lindsay and Mr Houghton each with six months on either side

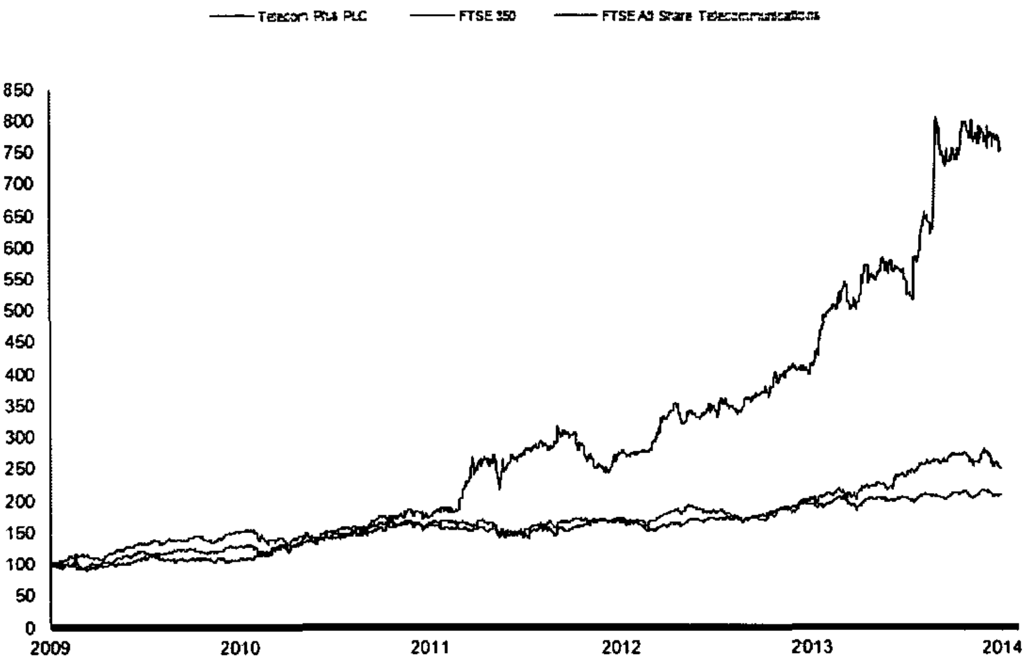
Pension Schemes (audited)

The Company makes no contributions to the pensions of any current directors except to Mr Wigoder, Mr Lindsay and Mr Houghton, details of which are shown within the table on page 54

Performance Graph showing Total Shareholder Return

The followıng graph shows the Company's performance measured by total shareholder return compared with the performance of the FTSE All Share Telecommunıcatıons Index and the FTSE 350 for the perıod 1 Aprıl 2009 to 31 March 2014. As noted ın previous years, the FTSE All Share Telecommunıcatıons Index was ınıtıally selected at a tıme when a larger proportıon of the Company's revenues related to the supply of telephony servıces; only approxımately 12 5% of the Company's revenues are now generated from such telephony servıces.

The FTSE 350 Index ıs ıncluded as a further comparator ın the lıght of the fact that there are no sector specıfıc ındıces containıng dırectly comparable quoted companıes supplyıng a broad range of servıces sımılar to that provıded by the Company.



Source: Bloomberg

Table of Historical Data

The followıng table shows the total remuneratıon, as defıned by the Regulatıons, and the amount vestıng under share ıncentıve schemes as a percentage of the maxımum that could have been achıeved, ın respect of the Chıef Executıve. The Chıef Executıve was Mr Andrew Lındsay ın all years shown ın the table except for the year ended 31 March 2010 whıch represented Mr Charles Wıgoder's fınal year as Chıef Executıve before becomıng Executıve Chaırman ın July 2010.

Year ended 31 March	**2010**	**2011**	**2012**	**2013**	**2014**
Sıngle fıgure of total remuneratıon £'000	217	473	1,150	399	432
Percentage of maxımum of share ıncentıves vestıng ın year %	N/A	100	100	N/A	N/A

The gains on share incentive schemes vesting in the years ended 31 March 2011 and 31 March 2012 represent the gains on share options based on the prevailing share price as at the earlier of the date of exercise of the share options and the year end in which the awards vested. No share incentive awards vested to the Chief Executive in the years ended 31 March 2010, 2013 and 2014

Percentage change in the remuneration of the Chief Executive

The following table shows the change in certain aspects of the remuneration of Mr Lindsay.

Year ended 31 March	2014 £'000	2013 £'000	Change %
Salary	390	360	8 3
Benefits	3	3	-

The Company's pay review for the year ended 31 March 2014 which took effect on 1 April 2013 awarded average percentage increases in salaries to all employees of 2.75% The size of the increase awarded to Mr Lindsay reflected the increased responsibility inherent in his role specifically as the size of the Company grew during the period. The increase also reflected the relative level of his salary compared to chief executives of other similarly-sized publicly listed companies. At other levels within the Company increases of a comparable size to Mr Lindsay's were made where appropriate to similarly reflect increases in responsibility for certain individuals.

Relative Importance of the Spend on Pay

The Regulations require an illustration of the significance of the Company's expenditure on pay in the context of its operations Set out below is a summary of the Company's levels of expenditure on pay and other significant cash outflows to key stakeholders

	2014 £'000	2013 £'000	Change %
Wages and salaries	20,666	17,536	17 8
Dividends paid	23,921	20,965	14.1
Corporation tax and social security costs paid	10,140	9,070	11.8

Statement of Implementation of Remuneration Policy in the Following Financial Year

Base Salaries

Against the background of the Company's future remuneration policy set out in this report, the Committee recommended that increases to the base salaries of the executive directors for the forthcoming year ended 31 March 2015, with effect from 1 April 2014, be made as described below.

Executive Chairman Charles Wigoder's annual base salary was increased from £370,000 to £420,000. This increase primarily reflects the fact that the Company will no longer be making pension contributions on behalf of Mr Wigoder as he has reached the limit of the lifetime allowance for pension contributions under current HMRC rules The contributions made by the Company to Mr Wigoder's pension during the year ended 31 March 2014 amounted to £37,000, representing the majority of the salary increase for 2015, with the balance of the increase broadly reflecting inflation.

The annual base salary of Chief Executive Andrew Lindsay was increased from £390,000 to £455,000 reflecting his strong personal performance and the incremental responsibility resulting from the significant increase in the size and profile of the Company during the year following the entering into of the new energy supply arrangements with Npower in December 2013.

The annual base salary of Finance Director Chris Houghton was held at £300,000 reflecting the large increase made to his salary last year.

Share Incentive Schemes

It is expected that a share option award will be made to Chief Executive Andrew Lindsay during the coming year. The award will comprise the granting of market value options over 300,000 shares which will vest in three discrete equal tranches after three, five and seven years. The award will fall within the limits set out in the Remuneration Policy above as Mr Lindsay has not received a share incentive scheme award since 2011. The Committee will be mindful of the size of this award when considering any future awards to Mr Lindsay in future.

The performance measures to be applied to Mr Lindsay's award will mirror those used for the award of options to Finance Director Chris Houghton in December 2013 as summarised below It is expected that each performance measure will be given an equal weighting. The base year for measuring performance will be the year ended 31 March 2014.

Percentage of options vesting	**Adjusted EPS growth**	**Relative TSR growth**[1]	**Service number growth**
100%	CPI + 12.5%	Upper quartile	20.0%
30%	CPI + 5.0%	Median	10.0%
30%-100%[2]	CPI + 5 0%-12.5%	Median - Upper quartile	10.0%-20.0%
Nil	<CPI + 5.0%	Below median	<10.0%

[1] Company TSR performance relative to the FTSE 350 (excluding Investment Trusts)
[2] percentage of shares to be calculated on a straight line basis

Full details of the proposed award will be set out in the Annual Report for the year ended 31 March 2015.

Other benefits

Remuneration in relation to pension contributions and other benefits for the year will be made in accordance with the Remuneration Policy set out above

Shareholder Vote and Shareholder Engagement

As set out in the Remuneration Policy Statement above, the Committee encourages dialogue with the Company's major shareholders regarding remuneration matters and will endeavour to consult with these shareholders ahead of any significant future changes to the remuneration policy

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

	2013 AGM	**%**
Votes cast in favour	38,623,684	90.08
Votes cast against	4,259,816	9 92
Total	42,883,500	100.00

In addition to the above there were 1,977,181 votes withheld.

Julian Schild
Chairman of the Remuneration Committee
On behalf of the Board
20 May 2014

Directors' Report

The directors have pleasure in presenting their report and the audited financial statements for the year to 31 March 2014

Principal Activities and Business Review

A full review of the development of the business is contained in the Strategic Report on pages 2 to 31. A summary of the financial risk management objectives and policies is contained in note 19 to the financial statements.

This Directors' Report, together with the information in the Strategic Report forms the management report for the purposes of DTR 4 1 8R

Results and Dividends

The profit for the year after tax of £28,975,000 (2013 £27,066,000) has been transferred to reserves. An interim dividend of 16p per share (2013. 13p) was paid during the year. A final dividend of 19p per share (2013: 18p per share) is proposed.

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 56.

	Ordinary 5p shares held at	
	31 March 2014	31 March 2013
Charles Wigoder	16,055,866	15,981,041
Julian Schild*	116,682	97,624
Andrew Lindsay	132,312	81,465
Chris Houghton	-	-
Melvin Lawson*	2,061,869	2,050,000
Michael Pavia*	26,391	25,000

* indicates non-executive directors

In respect of the above shareholdings, Mr Wigoder has a non-beneficial interest in 3,067,683 shares (2013: 2,900,000). There have been no movements in any of the directors' interests in the share capital of the Company between 1 April 2014 and 20 May 2014.

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, Mr Wigoder, as he holds in excess of 20% of the Company's shares, is 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' conflicts of interest which is reviewed regularly by the Board

Directors' and Officers' Liability Insurance

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

Employees

The requirements of the Companies Act 2006 in respect of employees are set out in the Strategic Report on pages 27 to 29.

Substantial Shareholders

As at 20 May 2014, in addition to the directors, the following have notified the Company of their substantial shareholdings as detailed below:

	Number of shares	Percentage of issued share capital
Standard Life Investments Ltd	7,207,174	9.0%
Schroder Investment Mgt	4,996,526	6.2%
Legal & General Investment Mgt	3,321,534	4 2%
BlackRock Investment Mgt (UK)	2,429,148	3.0%

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 2014 by which, with the Company's co-operation, financial rights carried by securities are held by a person other than a holder of securities, or any arrangements between holders of securities that are known to the Company and which may result in restrictions on the transfer of securities or on voting rights.

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

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

The Company established a Joint Share Ownership Plan ("the JSOP") on 30 March 2011. As part of the JSOP an employee benefit trust was established to jointly hold shares with the participants in the plan ("the JSOP Share Trust"). As at 31 March 2014 the JSOP Share Trust jointly held 500,000 shares with the Chief Executive, Mr Andrew Lindsay. Prior to vesting, all voting and dividend rights attached to these shares have been waived.

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

Authority for purchase of own shares
At the last AGM held on 17 July 2013, the Company obtained authority to purchase up to 7,062,061 ordinary shares representing approximately 10% of the issued ordinary share capital (excluding treasury shares) as at 11 June 2013. The Company intends to renew this authority at this year's AGM.

Treasury shares
The Company had no shares held in treasury during the year

Disclosure of Information

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

Corporate Governance

The Company's position in relation to compliance with the requirements of the UK Corporate Governance Code issued by the Financial Reporting Council is set out in the Corporate Governance Statement on pages 33 to 39

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 31 The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 16 to 21 and within notes 12 and 19 to the financial statements In addition, notes 15 and 19 include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

Under the revised energy supply arrangements which were effective from 1 December 2013, Npower continues to be responsible for funding the principal working capital requirements relating to the supply of energy to the Company's customers. This includes funding the Budget Plans of customers who pay for their energy in equal monthly instalments and pre-funding the payment of certain energy network charges.

The Group has secured from Barclays Bank PLC ("Barclays") total working capital credit facilities of £25 million for the period to 20 December 2016. In addition the Group has a transaction loan facility of £100 million with Barclays which was fully drawn down at the year end.

The Company has considerable financial resources together with a large and diverse retail and small business 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

On this basis the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The annual financial statements have therefore been prepared on a going concern basis in accordance with the FRC's Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009 issued in October 2009.

For and on behalf of the Board
David Baxter
Company Secretary
20 May 2014

Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss for the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare a director's report and directors' remuneration report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein

Directors' responsibilities pursuant to DTR4

The directors confirm to the best of their knowledge:

- The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.
- The annual report includes a fair review of the development and performance of the business and the financial position of the Group and the parent company, together with a description or the principal risks and uncertainties that they face.

Having taken advice from the Audit Committee, the Board considers the report and accounts, taken as a whole, to be fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

For and on behalf of the Board

Charles Wigoder
Executive Chairman
20 May 2014

Chris Houghton
Finance Director
20 May 2014

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

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

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 2014 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Telecom Plus PLC, comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company cash flow statements, the consolidated and company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Overview of our audit approach

Materiality

We determined materiality for the Group to be £2 75m which is based on 7.5% of profit before tax normalised through adjusting for transactions not principally relating to trading operations and averaging over the current and previous two accounting periods. In normalising profit before tax we added back the annual share incentive scheme charges which are impacted by movements in the Group's share price and the amortisation charge in respect of intangible assets. We consider this measure to be the most significant determinant of the Group's financial performance and therefore an appropriate basis for materiality as it is one of the key performance indicators used by management.

We agreed with the Audit Committee that we would report to them all audit differences individually in excess of £50,000. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

The audit work undertaken in relation to the significant components was executed at levels of materiality applicable to each entity and ranged from £1.5m to £1 65m

Overview of the scope of our audit

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

In establishing our group audit approach we gained an understanding of the Group and the regulatory environment in which it operates and we subsequently focused on the three principal trading companies which account for 85% of the Group's profit before tax. Additional audit procedures were performed on financial information from those components not considered to be significant to provide us with reasonable assurance that material error does not exist within those components

Our assessment of risks of material misstatement
The assessed risks of material misstatement described below are those that had the greatest effect on the audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. We have discussed our assessment of the risks of material misstatement with the Audit Committee who have set out on pages 41 to 44 of their report consideration of these risks.

Area of risk	*How the scope of our audit addressed the risk*
Accuracy of the billing system The billing system is central to the Group's business and is responsible for generating several key balances which are reported in the Group financial statements We focused on this area as it is possible that any systematic errors in the billing system could result in processing errors causing material misstatement across multiple balances within the financial statements	The documentation and testing of the Group's IT system, processes and controls is a core part of our audit scope and addresses the potential risks arising from the billing system with enhanced procedures being performed in relation to revenues and commissions payable. We assessed and tested the key controls that surround the billing system as well as the integrity of the data being generated through the inclusion of Information System specialists on the audit team and through the application of Computer Assisted Audit Techniques ("CAATs")
Valuation and recoverability of trade receivables The reported trade receivables balance is largely represented by customers who have debt assigned to their prepayment meter or have defaulted on a payment. As a result, recoverability of uncollected debt requires management to make significant judgements regarding expected future receipts from customers.	We evaluated the ageing analysis and composition of trade receivables and challenged the appropriateness of management's key assumptions used in the provision calculations. Our work involved reviewing assumptions applied in the context of the Group's historical experience and performing sensitivity analysis on the critical assumptions to determine the extent of change in those assumptions that would be required for the provision to change materially.
Revenue recognition and the valuation and recoverability of unbilled energy supplied Estimation is required in relation to revenue as a material element of unbilled energy supplied is measured by multiplying usage by	We considered the rationale for recognising revenue based on energy supplied but not yet billed, and evaluated the processes and

an average rate per KwH. Moreover, whilst the Group makes every effort to measure customers' energy usage through accurate meter reading and estimation, income is accrued in relation to energy supplied which is yet to be allocated to individual customer accounts. A degree of estimation is required in determining this accrued revenue. In addition management have made certain valuation provisions against the receivable which requires estimation judgement.	procedures surrounding customer meter reading. Specifically, we considered evidence that supports the propensity of customers to under-report energy usage, and usage levels which have not been independently verified. Our work also involved reviewing the rationale and assumptions applied in identifying irrecoverable usage and the estimates and significant judgements adopted in determining recoverable amounts, identifying and challenging those assumptions that have the greatest impact on the receivable.
Accounting treatment of new energy supply arrangements As disclosed in notes 6 and 21 to the financial statements, during the year the Group acquired two entities in order to enter into a wholesale supply and services agreement with Npower. The directors do not consider that these acquisitions represented business combinations under IFRS 3 Business Combinations ("IFRS 3") and accordingly have treated the transaction as the purchase of assets under the framework set out in IAS 38 Intangible Assets. In determining the appropriate accounting treatment and disclosures required in the financial statements it was necessary for the directors to exercise judgement in applying IFRS to the circumstances of the transaction.	We reviewed the sale and purchase and wholesale supply and services agreements and have challenged management's assessment that the acquired entities did not meet the definition of businesses under IFRS 3. We considered the factors outlined in note 21 and, in particular, the relationship between the company, Npower and the acquired entities both before and after the transaction date.
Risk of management override of internal controls The financial statements include a number of balances including current receivables which require the directors to make estimates and exercise judgement in determining recoverable amounts	We examined the significant accounting estimates and judgements relevant to the financial statements for evidence of bias by the directors. In particular, we tested key reconciliations, unbilled revenue, provisions surrounding delinquent customers, intangible asset amortisation and fair values. We also tested manual journal entries

OPINION ON MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006,
- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the corporate governance statement set out on pages 33 to 39 of the annual report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- 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 are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters

Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns We have nothing to report arising from these matters or our review

Corporate governance statement
Under the Listing Rules we are also required to review the part of the corporate governance statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Going concern
As required by the Listing Rules we have reviewed the directors' statement on page 67 that the group is a going concern We have nothing to report arising from our review

Our duty to read other information in the annual report
Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between the knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We have not identified any such inconsistencies, apparent misstatements or misleading statements.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the directors' responsibilities statement, on page 68, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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.

BDO LLP

Julian Frost (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London, UK
20 May 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2014

	Note	**2014** £'000	**2013** £'000
Revenue	1	658,760	601,505
Cost of sales		(558,509)	(517,950)
Gross profit		100,251	83,555
Distribution expenses		(18,641)	(17,635)
Share incentive scheme charges		(125)	(118)
Total distribution expenses		(18,766)	(17,753)
Administrative expenses		(41,560)	(34,636)
Share incentive scheme charges		(4,068)	(813)
Amortisation of intangible assets		(3,785)	-
Total administrative expenses		(49,413)	(35,449)
Other income		650	907
Operating profit	1, 2	32,722	31,260
Financial income		109	49
Financial expenses		(855)	(82)
Net financial expense		(746)	(33)
Share of profit of associates	8	4,654	3,404
Profit before taxation		36,630	34,631
Taxation	4	(7,655)	(7,565)
Profit and total comprehensive income for the year attributable to owners of the parent		28,975	27,066
Basic earnings per share	16	39.8p	38.7p
Diluted earnings per share	16	39.2p	38.1p

Consolidated and Company Balance Sheets

As at 31 March 2014

	Note	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Assets					
Non-current assets					
Property, plant and equipment	5	23,379	18,950	23,379	18,950
Intangible assets	6	220,778	2,969	-	2,969
Goodwill	7	3,742	3,742	-	-
Investments in associates	8	8,814	7,216	1,497	1,497
Investments in subsidiary undertakings	8	-	-	227,097	-
Deferred tax	9	2,399	1,646	2,389	1,644
Other non-current receivables	10	13,061	10,300	10,301	12,575
Total non-current assets		272,173	44,823	264,663	37,635
Current assets					
Inventories		1,771	491	1,771	491
Trade and other receivables	11	39,336	16,541	10,636	16,499
Prepayments and accrued income	11	120,786	115,947	8,228	115,510
Cash		45,389	3,378	37,489	3,137
Total current assets		207,282	136,357	58,124	135,637
Total assets		479,455	181,180	322,787	173,272
Current liabilities					
Short term borrowings	12	(19,804)	(2,605)	(19,804)	(2,605)
Trade and other payables	13	(7,749)	(7,504)	(4,424)	(10,512)
Current tax payable		(3,360)	(2,815)	-	(2,760)
Accrued expenses and deferred income	14	(137,780)	(96,829)	(8,411)	(96,418)
Total current liabilities		(168,693)	(109,753)	(32,639)	(112,295)
Non-current liabilities					
Long term borrowings	12	(79,216)	-	(79,216)	-
Deferred consideration	13	(21,500)	-	(21,500)	-
JSOP creditor	13	(4,080)	(685)	(4,080)	(685)
Total non-current liabilities		(104,796)	(685)	(104,796)	(685)
Total assets less total liabilities		205,966	70,742	185,352	60,292
Equity					
Share capital	15	4,001	3,530	4,001	3,530
Share premium		136,651	8,508	136,651	8,508
JSOP reserve		(2,275)	(2,275)	-	-
Retained earnings		67,589	60,979	44,700	48,254
Total equity		205,966	70,742	185,352	60,292

These accounts were approved and authorised for issue by the Board on 20 May 2014

Andrew Lindsay Director

Chris Houghton Director

Consolidated and Company Cash Flow Statements

For the year ended 31 March 2014

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Operating activities				
Profit before taxation	36,630	34,631	24,390	34,073
Adjustments for:				
Share of profit of associates	(4,654)	(3,404)	(4,654)	(3,404)
Net financial expense	746	33	746	33
Depreciation of property, plant and equipment	1,307	1,254	1,307	1,254
Amortisation of intangible assets	3,785	-	-	-
Amortisation of debt arrangement fees	118	-	118	-
Increase in inventories	(1,280)	(39)	(1,280)	(39)
Decrease/(increase) in trade and other receivables	41,284	(40,366)	115,785	(41,017)
(Decrease)/increase in trade and other payables	(92,208)	32,858	(90,623)	32,976
(Decrease)/increase in inter-company payable	-	-	(3,558)	840
Increase in inter-company receivable	-	-	(226)	-
Share incentive scheme charges	4,193	931	4,193	931
Corporation tax paid	(7,104)	(7,284)	(6,865)	(7,033)
Net cash flow from operating activities	(17,183)	18,614	39,333	18,614
Investing activities				
Purchase of property, plant and equipment	(5,736)	(948)	(5,736)	(948)
New energy supply agreement				
- Cash consideration and fees paid	(202,629)	-	(202,629)	-
- Cash held in statutory entities acquired	64,175	-	-	-
Distribution from associated company	3,056	2,365	3,056	2,365
Purchase of shares in associated company	-	(18)	-	(18)
Interest received	107	49	107	49
Cash flow from investing activities	(141,027)	1,448	(205,202)	1,448
Financing activities				
Dividends paid	(23,921)	(20,965)	(23,921)	(20,965)
Interest paid	(769)	(82)	(769)	(82)
Drawdown of long term borrowing facilities	100,000	-	100,000	-
Fees associated with long term borrowing facilities	(1,098)	-	(1,098)	-
Issue of new ordinary shares	131,061	812	131,061	812
Payment of share issue costs	(2,447)	-	(2,447)	-
Cash flow from financing activities	202,826	(20,235)	202,826	(20,235)
Increase/(decrease) in cash and cash equivalents	44,616	(173)	36,957	(173)
Net cash and cash equivalents at the beginning of the year	773	946	532	705
Net cash and cash equivalents at the year end	45,389	773	37,489	532
Cash	45,389	3,378	37,489	3,137
Short term borrowings	-	(2,605)	-	(2,605)
Net cash and cash equivalents at the year end	45,389	773	37,489	532

Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

Consolidated	Share capital £'000	Share premium £'000	JSOP reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2012	3,510	7,716	(2,275)	53,860	62,811
Profit and total comprehensive income for the year				27,066	27,066
Deferred tax on share options				776	776
Dividends	-	-	-	(20,965)	(20,965)
Credit arising on share options	-	-	-	242	242
Issue of new ordinary shares	20	792	-	-	812
Balance at 31 March 2013	3,530	8,508	(2,275)	60,979	70,742
Profit and total comprehensive income for the year				28,975	28,975
Deferred tax on share options				748	748
Dividends	-	-	-	(23,921)	(23,921)
Credit arising on share options	-	-	-	808	808
Issue of new ordinary shares	471	130,590	-	-	131,061
Costs associated with the issue of new ordinary shares	-	(2,447)	-	-	(2,447)
Balance at 31 March 2014	4,001	136,651	(2,275)	67,589	205,966

Company Statement of Changes in Equity

For the year ended 31 March 2014

Company	**Share capital** £'000	**Share premium** £'000	**Retained earnings** £'000	**Total** £'000
Balance at 1 April 2012	3,510	7,716	42,601	53,827
Profit and total comprehensive income for the year			25,600	25,600
Deferred tax on share options			776	776
Dividends	-	-	(20,965)	(20,965)
Credit arising on share options	-	-	242	242
Issue of new ordinary shares	20	792	-	812
Balance at 31 March 2013	3,530	8,508	48,254	60,292
Profit and total comprehensive income for the year			18,811	18,811
Deferred tax on share options			748	748
Dividends	-	-	(23,921)	(23,921)
Credit arising on share options	-	-	808	808
Issue of new ordinary shares	471	130,590	-	131,061
Costs associated with the issue of new ordinary shares	-	(2,447)	-	(2,447)
Balance at 31 March 2014	4,001	136,651	44,700	185,352

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 2014 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The financial statements were authorised for issue by the directors on 20 May 2014.

Presentation of financial statements

As a result of the increasing relative size of the cash-settled share incentive scheme charges it has been decided to separately disclose the amount on the face of the Consolidated Statement of Comprehensive Income for the period. The increase in this charge mainly reflects the strong rise in the Company's share price over the last year and therefore separate disclosure was deemed appropriate in order to provide a clearer understanding of the underlying performance of the business.

In view of the size and nature of the charge as a non-cash item, it has also been decided to separately disclose the amortisation of intangible assets on the face of the Consolidated Statement of Comprehensive Income for the period. More information regarding the intangible asset is set out in note 6 of these financial statements.

Significant accounting policies

(a) Statement of compliance
The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as endorsed by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

(b) Basis of preparation
The accounts are prepared on a going concern basis.

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

(i) Trade receivables (notes 10 and 11)
Trade receivables largely represent customers who have energy debt assigned to a prepayment meter, or are in the process of having such a meter installed. This requires the Directors to make estimates and judgements as to the expected level of eventual debt recovery from these customers based on historical experience.

Notes to the consolidated financial statements

(b) Basis of preparation (continued)

(ii) Revenue recognition and unbilled energy debtors (note 11)
Accrued revenue includes balances for energy consumption which have yet to be allocated and billed on to individual customers. In the absence of meter readings, the level of this revenue relies on industry estimates of annual consumption by the Group's customers. The Directors are required to make estimates and judgements as to the likelihood of this revenue being billed and recovered based on industry information and historical experience.

(iii) Share incentive scheme charges (note 18)
The Group has a conventional share option scheme and a Joint Share Ownership Plan ("JSOP") for employees and Directors. The fair value of share options and JSOP awards is estimated by using the Binomial valuation model on the date of grant based on certain assumptions. Those assumptions are described in note 18 and include, amongst others, the dividend yield, expected volatility, expected life of the options and number of options expected to vest

(iv) New energy supply arrangements (note 21)
The entering into of the new energy supply arrangements with Npower in December 2013 included the acquisition of two new subsidiaries from Npower. The Directors were therefore required to make a judgment in relation to the accounting treatment of the transaction under IFRS 3 Business Combinations. Further detail regarding the transaction and the associated accounting treatment are set out in note 21 of these financial statements.

By virtue of section 408 of the Companies Act 2006 the Company is exempt from presenting a statement of comprehensive income. The Company made a profit for the year of £18,811,000 (2013: £25,600,000).

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

- IAS 27 Separate Financial Statements;
- IAS 28 Investments in Associates and Joint Ventures;
- IFRS 7 Financial Instruments Disclosure;
- IFRS 10 Consolidated Financial Statements,
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosure of Interests in Other Entities; and
- IFRS 13 Fair Value measurement.

(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 investee. Transactions between Group companies are eliminated on consolidation.

Notes to the consolidated financial statements

Significant accounting policies (continued)

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

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate are not recognised.

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

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

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

(e) Revenue
Revenue is the value of goods and services supplied to external customers and independent distributors excluding value added tax and other sales related taxes. For each of the Company's main income streams from the provision of fixed line telephony, broadband, mobile telephony, gas and electricity services, transactions are recorded as sales in the month when the provision of those services or the supply of goods takes place. The Company's customers are invoiced in the month following that in which the services are provided. The Company also generates revenue as a result of providing bill payment protection and accidental death cover to customers for a monthly fee The Company does not retain the insurance risk for these services The recognition of revenue associated with the provision of gas and electricity services to customers by the Group relies on industry estimates of annual usage where meter readings are not available These estimates are based on historical usage information as adjusted for known factors such as variations in weather.

Notes to the consolidated financial statements

Significant accounting policies (continued)

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

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

(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 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
Plant and machinery	15 years
Fixtures and fittings	7 years
Freehold and leasehold improvements	3 years
Computer and office equipment	3 to 5 years
Motor vehicles	4 years

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

Notes to the consolidated financial statements

Significant accounting policies (continued)

(k) Intangible assets
Intangible assets which arise (e g on the entering into of significant commercial contractual arrangements) are capitalised and amortised over their useful life, or the term of any contractual arrangement or, where appropriate and an indefinite life is chosen, made subject to an annual impairment review.

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

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

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

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

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

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

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

Notes to the consolidated financial statements

Significant accounting policies (continued)

(p) Financial instruments (continued)
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.

(q) Trade receivables
Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. The interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material

(r) Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and deposits with banks and, for the purposes of the Cash Flow Statement, revolving credit facilities

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

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

(u) Share based payments
The fair value at the date of grant of share based remuneration, principally share options, is calculated using a binomial pricing model and is charged to the Statement of Comprehensive Income on a straight line basis over the vesting period of the award The charge to the Statement of Comprehensive Income takes account of the estimated number of shares that will vest. All share option based remuneration is equity settled, except as set out below.

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

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

Notes to the consolidated financial statements

Significant accounting policies (continued)

(v) Segmental reporting
Financial information on operating segments that corresponds with information regularly reviewed by the chief operating decision maker, Chief Executive Mr Andrew Lindsay, is disclosed in note 1 to the accounts.

(w) Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material

(x) Pensions
The Group makes contributions to certain employees' personal pension plans. These are charged to the Statement of Comprehensive Income in the year in which they become payable.

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

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

Notes to the consolidated financial statements

1. Segment reporting

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

- Customer Acquisition; and
- Customer Management.

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

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

Operating segments

	Year ended 31 March 2014			Year ended 31 March 2013		
	Customer Management	Customer Acquisition	Total	Customer Management	Customer Acquisition	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	642,541	16,219	658,760	592,182	9,323	601,505
Segment result	44,858	(12,136)	32,722	41,403	(10,143)	31,260
Operating profit			32,722			31,260
Net financing expense			(746)			(33)
Share of profit of associates			4,654			3,404
Profit before taxation			36,630			34,631
Taxation			(7,655)			(7,565)
Profit for the year			28,975			27,066
Segment assets	465,331	5,310	470,641	170,433	3,531	173,964
Investment in associates	8,814	-	8,814	7,216	-	7,216
Total assets	474,145	5,310	479,455	177,649	3,531	181,180
Segment liabilities	(269,841)	(3,648)	(273,489)	(108,835)	(1,603)	(110,438)
Net assets			205,966			70,742
Capital expenditure	(5,595)	(141)	(5,736)	(933)	(15)	(948)
Depreciation	1,275	32	1,307	1,235	19	1,254
Amortisation	3,785	-	3,785	-	-	-

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

Notes to the consolidated financial statements

1. Segment reporting (continued)

Revenue by service

	2014 £'000	2013 £'000
Customer Management		
- Electricity	270,322	235,222
- Gas	257,617	256,500
- Fixed communications	82,189	71,767
- Mobile	16,664	13,673
- Other	15,749	15,020
	642,541	592,182
Customer Acquisition	16,219	9,323
	658,760	601,505

The Group operates solely in the United Kingdom.

2. Operating profit

Operating profit is stated after charging/(crediting):

	2014 £'000	2013 £'000
Depreciation and amortisation	5,092	1,254
Profit on disposal of fixed assets	(5)	-
Operating lease rentals - land and buildings	310	307
Auditor's remuneration - audit of Company and consolidated accounts	105	85
- audit of subsidiaries of the Company	15	15
- audit related assurance services	14	14
- taxation compliance services	10	9
- other taxation services	23	30
- other services	10	5
Inventories expensed	11,564	6,080
Inventory write-down release	-	(2)
Receivables and accrued income impairment cost	9,859	9,027
Rental income	(650)	(907)

During the year £175,000 was paid to the auditor in respect of transaction support services. This amount has been capitalised and included within the intangible assets of the Group and within the cost of investments of the Company. Total fees paid to the auditor during the year were £352,000 (2013: £158,000).

Notes to the consolidated financial statements

3. Personnel expenses

	2014 £'000	2013 £'000
The total charge in the Statement of Comprehensive Income comprised the following:		
Wages and salaries	20,666	17,536
Social security costs	2,636	1,786
Pension contributions	453	342
Share incentive scheme charges	4,068	813
	27,823	20,477

Average number employed by the Group during the year (excluding directors).	2014	2013
Customer Acquisition	94	84
Customer Management	602	520
	696	604

	2014 £'000	2013 £'000
The aggregate remuneration of the directors (included above) was as follows:		
Salaries, fees and other benefits	1,142	1,024
Pension contributions	106	95
	1,248	1,119
Share incentive scheme charges	3,454	469
	4,702	1,588

The emoluments of the highest paid director were £393,128 (2013 £364,957) and pension costs were £39,000 (2013: £36,000). Three (2013· three) directors had contributions paid to their personal pension schemes

On 26 February 2014 Mr Andrew Lindsay exercised 217,400 share options at an exercise price of 330.5p per share. In accordance with the rules of the Employee Share Option Plan, the Company elected to satisfy these options by transferring 179,115 shares to Mr Lindsay at nominal value. Following the exercise Mr Lindsay sold 179,115 Ordinary Shares on 26 February 2014 for an average price of 1,853.34 pence per Ordinary Share resulting in a pre income tax gain of £3,310,654.

Notes to the consolidated financial statements

4. Taxation

(i) Recognised in the Statement of Comprehensive Income

	2014	2013
	£'000	£'000
Current tax charge		
Current year	7,650	7,430
Adjustments for prior years	2	(316)
	7,652	7,114
Deferred tax charge		
Accelerated/(decelerated) capital allowances	96	(28)
Other temporary differences	(11)	1
(Deduction)/increase in respect of share options	(434)	124
Reduction in rate of future taxes	358	70
Adjustment for prior years	(6)	284
	3	451
Total tax charge	7,655	7,565

(ii) Reconciliation of total tax charge

	2014	2013
	£'000	£'000
Profit before tax	36,630	34,631
Corporation tax using the UK corporation tax rate of 23% (2013 24%)	8,425	8,311
Expenses not deductible for taxation purposes	922	71
Adjustment in respect of share options exercised	(976)	(38)
Reduction in rate of future taxes	359	70
Share of associate's tax charge	(1,071)	(817)
Adjustments in respect of prior years - current tax	2	(316)
- deferred tax	(6)	284
Total tax charge	7,655	7,565

(iii) Tax on items credited directly to equity

	2014	2013
	£'000	£'000
Deferred tax on share options	748	776

Notes to the consolidated financial statements

5. Property, plant and equipment

	Freehold land & buildings	Plant & machinery	Fixtures & fittings	Freehold & Leasehold improvements	Computer & office equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Group and Company							
2014							
Cost							
At 1 April 2013	15,774	1,043	2,549	768	3,968	284	24,386
Additions	-	-	25	3,602	1,968	141	5,736
Disposals	-	-	-	-	-	(38)	(38)
At 31 March 2014	15,774	1,043	2,574	4,370	5,936	387	30,084
Depreciation							
At 1 April 2013	(624)	(266)	(1,007)	(489)	(2,868)	(182)	(5,436)
Depreciation charge for the year	(158)	(70)	(374)	(26)	(632)	(47)	(1,307)
Disposals	-	-	-	-	-	38	38
At 31 March 2014	(782)	(336)	(1,381)	(515)	(3,500)	(191)	(6,705)
Net book amounts							
At 31 March 2014	14,992	707	1,193	3,855	2,436	196	23,379
2013							
Cost							
At 1 April 2012	15,774	1,043	2,526	608	5,568	210	25,729
Additions	-	-	23	160	635	130	948
Disposals	-	-	-	-	(2,235)	(56)	(2,291)
At 31 March 2013	15,774	1,043	2,549	768	3,968	284	24,386
Depreciation							
At 1 April 2012	(466)	(197)	(644)	(466)	(4,490)	(210)	(6,473)
Depreciation charge for the year	(158)	(69)	(363)	(23)	(613)	(28)	(1,254)
Disposals	-	-	-	-	2,235	56	2,291
At 31 March 2013	(624)	(266)	(1,007)	(489)	(2,868)	(182)	(5,436)
Net book amounts							
At 31 March 2013	15,150	777	1,542	279	1,100	102	18,950
At 31 March 2012	15,308	846	1,882	142	1,078	-	19,256

The Company's new head office building, Merit House, acquired in February 2012, has been classified as a fixed asset rather than an investment property as it is the Company's intention to immediately occupy the building for its own purposes once refurbishment work has been completed. Included within freehold land and buildings is £7 9 million (2013: £7.9 million) of land which is not depreciated. Property, plant and equipment is not depreciated until the asset is brought into use.

Notes to the consolidated financial statements

6. Intangible assets

	2014 £'000	2013 £'000
Group		
Cost		
At 1 April	2,969	2,969
Additions	221,594	-
At 31 March	224,563	2,969
Amortisation		
At 1 April	-	-
Charge for the year	(3,785)	-
At 31 March	(3,785)	-
Carrying amount		
At 31 March	220,778	2,969

The opening intangible asset of £2,969,000 (2013: £2,969,000) was attributable wholly to the Customer Management operating segment and related to the issue of 426,989 shares at nominal value to Npower in two tranches on 19 August 2011 and 9 January 2012 as part of the revisions to the Company's energy supply agreement with Npower entered into on 24 May 2011

The intangible asset had previously been considered to have an indefinite life as the supply agreement with Npower entered into on 24 May 2011 did not have a finite term. However, the Company entered into a new energy supply agreement with Npower with effect from 1 December 2013. As the new supply agreement is in substance considered to be an extension of the supply agreement entered into in May 2011, the opening intangible asset will be recognised on the Company's balance sheet within the cost of investments in subsidiary undertakings (see note 8) and continue to be recognised as an intangible asset on the Group's balance sheet. Given that the new energy supply agreement has a 20 year term, the opening intangible asset is no longer considered to have an indefinite life and will therefore be amortised evenly over the term of the new energy supply agreement in the Group financial statements.

The additions to Group intangible assets during the year relate to the entering into of the new energy supply arrangements with Npower on improved commercial terms through the acquisition by the Company of Electricity Plus Supply Limited and Gas Plus Supply Limited ("the Companies") from Npower Limited having effect from 1 December 2013 ("the Transaction")

The total consideration for the Transaction comprised a payment to Npower of £196 5 million on 20 December 2014, a deferred amount of £21.5 million payable on 20 December 2016 and a payment of £2.5 million made in January 2014 for the net assets acquired in the Companies which comprised cash and short term working capital balances.

Notes to the consolidated financial statements

6. Intangible assets (continued)

The addition to intangible assets of £221 6 million therefore represents 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 have been recognised as a cost of acquisition

The intangible asset will be 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.

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

7. Goodwill

	Goodwill
	£'000
Group	
2014	
Cost	
At 1 April 2013 and 31 March 2014	4,558
Impairment	
At 1 April 2013 and 31 March 2014	816
Carrying amounts	
At 31 March 2014	3,742
2013	
Cost	
At 1 April 2012 and 31 March 2013	4,558
Impairment	
At 1 April 2013 and 31 March 2014	816
Carrying amounts	
At 31 March 2013	3,742
At 31 March 2012	3,742

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

The Group regularly monitors the carrying amount of its goodwill A review was undertaken at 31 March 2014 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

7. Goodwill (continued)

A pre-tax discount rate of 20% into perpetuity was used which was considered appropriate given the expectation that, for the foreseeable future, TML will continue to operate as a going concern. The result of the review undertaken at 31 March 2014 indicated that no impairment was necessary. No reasonably possible change in the assumptions used in the impairment calculation would give rise to an impairment of goodwill.

8. Investments

Fixed asset investments

The investment in the associate represents the cost of purchasing a 20% (2013: 20%) equity interest in the ordinary share capital of Opus Energy Group Limited ("Opus"), together with the Group's share of retained reserves

	2014	2013
	£'000	£'000
Associated undertaking		
Cost		
At 1 April	1,497	1,479
Additions	-	18
At 31 March	1,497	1,497
Share of profit		
At 1 April	5,719	4,680
Share of profit after taxation for the year	4,654	3,404
Dividends received in the year	(3,056)	(2,365)
At 31 March	7,317	5,719
Carrying amounts		
At 31 March	8,814	7,216

Associated undertaking

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

	2014	2013
	£'000	£'000
Total assets	104,695	82,205
Total liabilities	(64,752)	(50,179)
Net assets	39,943	32,026
Income	433,760	369,469
Expenses	(403,526)	(347,078)
Profit before tax	30,234	22,391

Notes to the consolidated financial statements

8. Investments (continued)

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

The Company also owns 100% of the ordinary share capital of Electricity Plus Supply Limited ("Electricity Plus") and Gas Plus Supply Limited ("Gas Plus"), being one £1 share in each company. Electricity Plus and Gas Plus are incorporated in England and Wales. The principal activity of Electricity Plus and Gas Plus is to hold the licences for the supply of energy services to residential and business customers in the UK

The cost of investment in subsidiary undertakings represents capitalised transaction costs of approximately £3.6 million and the total consideration for the entering into of the new energy supply arrangements with Npower through the acquisition of Electricity Plus and Gas Plus, comprising a cash payment to Npower of £196.5 million on 20 December 2014, a deferred cash amount of £21.5 million payable on 20 December 2016 and a cash payment of £2.5 million made in January 2014 for the net assets acquired in Electricity Plus and Gas Plus which comprised cash and short term working capital balances The cost of investment in subsidiary undertakings also includes the £2.9 million opening intangible asset which related to the preceding energy supply agreement with Npower entered into in May 2011 (see note 6).

Notes to the consolidated financial statements

9. Deferred tax asset

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

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Tax effect of temporary differences:				
Accelerated capital allowances	(119)	(48)	(129)	(50)
Other short term temporary differences	38	24	38	24
Employee benefits expected in excess of amount expensed	2,480	1,670	2,480	1,670
	2,399	1,646	2,389	1,644

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
At 1 April	1,646	1,321	1,644	1,318
Acquired deferred tax asset	8	-	-	-
Charged to the Statement of Comprehensive Income	(3)	(451)	(3)	(450)
Taken to equity	748	776	748	776
At 31 March	2,399	1,646	2,389	1,644

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

10. Other non-current receivables

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Hire purchase agreements receivable	2,669	2,471	2,669	2,471
Loan to JSOP share trust	-	-	2,275	2,275
Trade receivables	7,029	6,210	1,994	6,210
Other non-current receivables	3,363	1,619	3,363	1,619
	13,061	10,300	10,301	12,575

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

Notes to the consolidated financial statements

11. Receivables and accrued income

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Trade receivables	9,157	9,653	2,586	9,600
Current tax receivable	-	-	138	-
Other receivables	30,179	6,888	7,912	6,899
Trade and other receivables	39,336	16,541	10,636	16,499
Accrued income	115,750	114,348	5,385	114,120
Prepayments	5,036	1,599	2,843	1,390
Prepayments and accrued income	120,786	115,947	8,228	115,510
Trade and other receivables	39,336	16,541	10,636	16,499
Accrued income	115,750	114,348	5,385	114,120
Receivables and accrued income (net)	155,086	130,889	16,021	130,619

Gross accrued income of £117,273,000 (2013: £115,823,000) includes March revenue invoiced in April of £55,148,000 (2013: £51,684,000), unbilled energy debtors of £62,104,000 (2013: £64,120,000) and accrued income relating to property of £21,000 (2013: £19,000) Offset against this figure is an allowance for future credit losses of £1,523,000 (2013: £1,475,000), which is included in the allowance for credit losses of £16,038,000 (2013 £14,295,000). Other receivables include amounts due within one year relating to hire purchase agreements of £1,489,000 (2013: £846,000).

Allowance for credit losses on receivables and accrued income

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Allowances as at 1 April	14,295	13,519	13,003	12,342
Transfers to subsidiary undertakings	-	-	(6,929)	-
Additions – charged to Statement of Comprehensive Income	9,859	9,027	2,114	8,681
Allowances used on fully written down receivables	(8,116)	(8,251)	(4,279)	(8,020)
Allowances as at 31 March	16,038	14,295	3,909	13,003

Analysis of receivables and accrued income

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Receivables and accrued income (gross)	171,124	145,184	19,930	143,622
Allowance for credit losses	(16,038)	(14,295)	(3,909)	(13,003)
Receivables and accrued income (net)	155,086	130,889	16,021	130,619

Notes to the consolidated financial statements

11. Receivables and accrued income (continued)

Aged analysis of trade receivables

	Not fully impaired but past due by the following amounts					Total
	30 days or less	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 120 days	More than 120 days	carrying amount
	£'000	£'000	£'000	£'000	£'000	£'000
2014 Trade receivables	3,518	1,710	1,270	982	8,706	16,186
2013 Trade receivables	3,229	1,925	1,194	913	8,602	15,863

Trade receivables due after more than 120 days predominantly relates to amounts due from customers for debt in relation to energy consumption that has been loaded onto prepayment meters These receivables are paid over a prolonged period of time and £7,029,000 (2013: £6,210,000) is due after one year.

In accordance with note (q) of the Significant Accounting Policies, trade receivables are stated at their nominal value as reduced by appropriate allowances. Interest that would be recognised from discounting future cash receipts over the short credit period is not currently considered material

12. Interest bearing loans and borrowings

Group and Company	2014	2013
	£'000	£'000
Bank loans	100,000	-
Unamortised bank loan arrangement fees	(980)	-
Working capital facilities	-	2,605
	99,020	2,605
Due within one year	20,000	2,605
Due after one year	80,000	-
	100,000	2,605

The Group entered into total bank loan facilities of £125,000,000 during the year ended 31 March 2014, comprising a transaction facility of £100,000,000 ("the Transaction Facility") which was fully drawn down as at 31 March 2014 (2013: £Nil) and working capital facilities of £25,000,000 ("the Working Capital Facilities") of which £Nil were drawn down as at 31 March 2014 (2013: £2,605,000). In addition, as at 31 March 2014 the Company had letters of credit in place relating to certain energy distribution charges with a total value covered of £11,787,500 (2013: £Nil)

Notes to the consolidated financial statements

12. Interest bearing loans and borrowings (continued)

The Transaction Facility is divided into two tranches (i) Term Loan A of £70,000,000 repayable by 20 December 2016; and (ii) Term Loan B of £30,000,000 repayable by 20 December 2015. Interest is charged in accordance with the schedule set out in the table below The Term Loan A Opening Interest Rate is 2 35%.

Term Loan A

Net Debt/EBITDA	Three month LIBOR +
>2.5x	3.10%
<2.5x	2.70%
<2 0x	2.35%
<1.5x	2 10%
<1.0x	1 85%

Term Loan B

Months	LIBOR +
0 - 12	Term Loan A Opening Rate ("OR")
13 - 16	OR + 0.35%
17 - 20	OR + 0.75%
21 - 24	OR + 1.25%

In addition, duration fees of 0.25% of Term Loan B are due on the outstanding balance on Term Loan B after 12 and 16 months, and 0 30% after 20 months

The Working Capital Facilities carry interest at the same rate as Term Loan A and are repayable by 20 December 2016 Any elements of the Working Capital Facilities which are used for the purposes of letters of credit carry interest at only the margin over three month LIBOR in accordance with the interest schedule for Term Loan A.

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

The Transaction Facility is stated net of unamortised arrangement fees of £980,000 (2013: £Nil) on the face of the Balance sheet. These costs have been capitalised and are being amortised evenly over the term of the Transaction Facility.

Notes to the consolidated financial statements

12. Interest bearing loans and borrowings (continued)

Maturity analysis

Group and Company	2014	2013
	£'000	£'000
Bank loans		
Due in one year or less	22,853	2,605
Due in more than one year but not more than two years	50,154	-
Due in more than two years but not more than five years	33,750	-
	106,757	2,605

The analysis of maturity above in relation to 2014 includes interest to be paid during the term of the loans in accordance with IFRS 7 Financial Instruments: Disclosures.

13. Trade and other payables

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Current				
Trade payables	7,038	4,434	3,785	7,493
Other taxation and social security	711	3,070	639	3,019
	7,749	7,504	4,424	10,512
Non-current				
Deferred consideration	21,500	-	21,500	-
JSOP creditor	4,080	685	4,080	685
	25,580	685	25,580	685

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

Notes to the consolidated financial statements

14. Accrued expenses and deferred income

	Group		Company	
	2014	**2013**	**2014**	**2013**
	£'000	£'000	£'000	£'000
Accrued expenses	136,564	94,923	7,465	94,804
Deferred income	1,216	1,906	946	1,614
	137,780	96,829	8,411	96,418

All accrued expenses are payable within one year.

15. Capital and reserves

Issued share capital – ordinary shares of 5p each

	2014		2013	
	Number ('000)	£'000	Number ('000)	£'000
Authorised share capital	160,000	8,000	80,000	4,000
Allotted, called up and fully paid share capital:				
At 1 April	70,602	3,530	70,208	3,510
Issue of new ordinary shares	9,412	471	394	20
At 31 March	80,014	4,001	70,602	3,530

At the year end the Company's share price was 1,793p and the range during the financial year was 1,035p to 1,914p.

At 31 March 2014, the Company had 80,013,784 (2013: 70,602,262) shares in issue; there were no shares held in treasury (2013: Nil). The total number of voting rights of 5p ordinary shares in the Company was 80,013,784 (2013 70,602,262). Since the year end, a further 2,274 shares have been issued to satisfy the exercise of distributor share options, increasing the total number of voting rights of 5p ordinary shares in the Company to 80,016,058.

There are 500,000 ordinary shares held in the JSOP Share Trust, representing approximately 0.6% of issued share capital, on which voting and dividend rights have been waived. These shares are included in the above total voting rights figure of 80,016,058.

On 20 December 2013 the Company completed a placing and open offer for a total of 8,813,560 ordinary shares at a price of 1,475p per share.

Notes to the consolidated financial statements

15. Capital and reserves (continued)

Capital management

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

Total shareholder equity at 31 March 2014 was £206.0 million (2013: £70.7 million).

The Group's current capital management strategy is to retain sufficient working capital for day to day operating requirements. In addition, as a result of the entering the new energy supply arrangements with Npower, and the consequent drawdown of transaction debt facilities of £100 million, the Group's capital management strategy is also to ensure that interest costs are minimised and that the schedule for repayment of the debt can be comfortably achieved.

Under the revised energy supply arrangements which were effective from 1 December 2013, Npower continues to be responsible for funding the principal working capital requirements relating to the supply of energy to the Company's customers. This includes funding the Budget Plans of customers who pay for their energy in equal monthly instalments and pre-funding the payment of certain energy network charges

Dividends

	2014	**2013**
	£'000	£'000
Prior year final paid 18p (2013: 17p) per share	12,656	11,876
Interim paid 16p (2013 13p) per share	11,265	9,089

The Directors have proposed a final dividend of 19p per ordinary share totalling approximately £15 1 million, payable on 1 August 2014, to shareholders on the register at the close of business on 18 July 2014. In accordance with the Group's accounting policies the dividend has not been included as a liability as at 31 March 2014. This dividend will be subject to income tax at each recipient's individual marginal income tax rate.

Notes to the consolidated financial statements

16. Earnings per share

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

	2014 £'000	2013 £'000
Earnings for the purpose of basic and diluted earnings per share	28,975	27,066
Share incentive scheme charges (net of tax)	4,038	842
Amortisation of intangible assets	3,785	-
Earnings excluding share incentive scheme charges and amortisation of intangibles for the purpose of adjusted basic and diluted earnings per share	36,798	27,908
	Number ('000s)	**Number** ('000s)
Weighted average number of ordinary shares for the purpose of basic earnings per share	72,775	69,887
Effect of dilutive potential ordinary shares (share incentive awards)	1,223	1,120
Weighted average number of ordinary shares for the purpose of diluted earnings per share	73,998	71,007
Adjusted basic earnings per share[1]	50 6p	39.9p
Basic earnings per share	39 8p	38.7p
Adjusted diluted earnings per share[1]	49 7p	39.3p
Diluted earnings per share	39.2p	38.1p

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

Notes to the consolidated financial statements

16. Earnings per share (continued)

In accordance with IFRS 2 Share Based Payments ("IFRS 2"), awards made under the Company's JSOP share incentive scheme are deemed to be cash-settled. However, whilst approximately £3,395,000 of the share incentive scheme charge during the year relate to JSOP awards, and could therefore be settled in cash, in practice it is expected that any settlement of awards under the JSOP will be made in equity. It has therefore been deemed appropriate to present the above analysis of earnings per share as adjusted for share incentive scheme charges

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

17. Commitments

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

Company and Group

	2014	**2013**
Amounts payable	£'000	£'000
Less than one year	183	310
Between one and five years	251	251
	434	561

The principal lease arrangements relate to office premises.

Capital commitments
At 31 March 2014 the Company had capital commitments of approximately £7,675,000 relating mainly to items in respect of the refurbishment of Merit House, the Group's new head office building (2013: £364,000).

New energy supply arrangements
The Group entered into a new 20 year energy supply agreement with Npower ("the SSA") on 20 December 2013.

In the event that the SSA is terminated by Npower in certain circumstances, including on a material breach by the Group or on the insolvency of the Company, additional consideration of up to £201 million may become payable by the Company to Npower. Full details of the termination provisions of the SSA were set out in paragraph 4 of Part VIII on page 38 of the prospectus issued to shareholders on 20 November 2013.

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.

Notes to the consolidated financial statements

17. Commitments (continued)

The amount of the additional consideration reduces from £201 million to £11 million over the 20 year life of the supply agreement. Furthermore, depending on the circumstances giving rise to a termination event, the additional consideration (if payable) may be spread over the unexpired term of the supply agreement. Following any such termination event, the Group would have direct access to the wholesale energy markets and the opportunity to earn additional margin from sourcing energy directly for the Group's customer base.

18. Share-based payments

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

All new employees who have passed the requisite probationary period are issued with market price options over shares in the Company, further options are also granted to existing employees depending on their seniority and length of service ("The Telecom Plus PLC 2007 Employee Share Option Plan").

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

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

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

The following key assumptions were used to determine the fair value liability of the JSOP award of 1,207.9p per share as at 31 March 2014: a strike price of 553p per share, a share price of 1,793p as at 31 March 2014, expected volatility of 39.6%, an expected remaining life of 1 year, a risk free rate of 0.43% and an expected dividend yield of 1.95%.

Notes to the consolidated financial statements

18. Share-based payments (continued)

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

	2014		2013	
	Number	Weighted average exercise price	Number	Weighted average exercise price
At 1 April	2,243,787	514p	2,014,652	356p
Options granted	765,950	1,507p	1,030,800	790p
Options exercised	(653,888)	310p	(417,850)	242p
Options lapsed/expired	(434,700)	1,060p	(383,815)	718p
At 31 March	1,921,149	855p	2,243,787	514p

The weighted average share price at the date of exercise for the options exercised during the year was 1,612.9p (2013 882 5p).

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

	2007 Employee Share Option Plan	2007 Networkers and Consultants Share Option Plan	2007 Employee Share Option Plan	2007 Networkers and Consultants Share Option Plan
Date of grant	17/06/2013	17/06/2013	16/12/2013	16/12/2013
Number of options originally granted	259,700	82,000	284,500	139,750
Contractual life	10 years	10 years	10 years	10 years
Exercise price (pence)	1,219p	1,219p	1,739p	1,739p
Share price at date of grant (pence)	1,241p	1,241p	1,774p	1,774p
Number of employees/distributors	111	82	99	140
Expected volatility	24 42%	24.42%	39 24%	39 24%
Expected option life	10 years	10 years	10 years	10 years
Risk free rate	0.63%	0.63%	0.82%	0.82%
Expected dividend yield	2.54%	2.54%	2 01%	2.01%
Fair value per option (pence)	223p	223p	615p	615p

Notes to the consolidated financial statements

18. Share-based payments (continued)

During the previous year ended 31 March 2013, the Group issued share options to employees and distributors on four occasions as set out below The options issued to distributors on 1 June 2012 and 20 November 2012 have performance conditions attached which relate to customer gathering activity to be achieved during the vesting period.

	2007 Networkers and Consultants Share Option Plan	2007 Employee Share Option Plan	2007 Networkers and Consultants Share Option Plan
Date of grant	01/06/2012	26/06/2012	26/06/2012
Number of options originally granted	472,000	204,200	11,000
Contractual life	10 years	10 years	10 years
Exercise price (pence)	721p	828p	828p
Share price at date of grant (pence)	735p	833p	833p
Number of distributors/employees	472	113	9
Expected volatility	38.90%	36.78%	36 78%
Expected option life	10 years	10 years	10 years
Risk free rate	0.36%	0.36%	0.36%
Expected dividend yield	3.74%	3 26%	3.26%
Fair value per option (pence)	183p	214p	214p

	2007 Networkers and Consultants Share Option Plan	2007 Employee Share Option Plan	2007 Networkers and Consultants Share Option Plan
Date of grant	20/11/2012	10/12/2012	10/12/2012
Number of options originally granted	227,000	99,600	17,000
Contractual life	10 years	10 years	10 years
Exercise price (pence)	854.5p	878p	878p
Share price at date of grant (pence)	864.1p	884p	884p
Number of distributors/employees	227	71	3
Expected volatility	29.15%	28.24%	28 24%
Expected option life	10 years	10 years	10 years
Risk free rate	0.34%	0.34%	0.34%
Expected dividend yield	3.63%	3 53%	3 53%
Fair value per option (pence)	151p	151p	151p

The Group has used a binomial model to value its share options, with account being taken of vesting conditions where these were considered material. The expected volatility for the share option arrangements is based on historical volatility determined by the analysis of daily share price movements over the past 12 months.

Notes to the consolidated financial statements

18. Share-based payments (continued)

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

	Number 1 April 2013	Number 31 March 2014	Exercise price per share	Exercisable from	Expiry date
2007 Networkers and Consultants Share Option Plan					
30 Aug 2007	12,000	6,000	171p	30 Aug 2010	29 Aug 2017
10 Dec 2008	39,500	21,250	340p	10 Dec 2011	9 Dec 2018
26 Jun 2009	15,000	15,000	278p	26 Jun 2012	25 Jun 2019
9 Dec 2009	28,000	10,000	305p	9 Dec 2012	8 Dec 2019
5 Jul 2010	297,275	178,684	338p	5 Jul 2013	3 Jul 2020
17 Dec 2010	11,882	7,632	442p	17 Dec 2013	16 Dec 2020
14 Jun 2011	7,000	7,000	603p	14 Jun 2014	11 Jun 2021
15 Dec 2011	15,000	15,000	774p	15 Dec 2014	14 Dec 2021
1 Jun 2012	237,000	107,000	721p	1 Jun 2015	31 May 2022
26 Jun 2012	11,000	11,000	828p	26 Jun 2015	25 Jun 2022
20 Nov 2012	134,000	35,000	854 5p	20 Nov 2015	19 Nov 2022
10 Dec 2012	17,000	17,000	878p	10 Dec 2015	9 Dec 2022
17 Jun 2013	-	22,000	1,219p	17 Jun 2016	16 Jun 2023
16 Dec 2013	-	49,750	1,739p	16 Dec 2016	15 Dec 2023
	824,657	502,316			
2007 Employee Share Option Plan					
12 Jul 2006	9,850	-	127p	12 Jul 2009	11 Jul 2013
4 Jan 2007	495	-	199.25p	4 Jan 2010	3 Jan 2014
30 Aug 2007	109,050	25,885	171p	30 Aug 2010	29 Aug 2017
17 Jan 2008	24,000	17,000	198p	17 Jan 2011	16 Jan 2018
12 Jun 2008	272,850	29,550	330.5p	12 Jun 2011	11 Jun 2018
10 Dec 2008	69,065	55,900	340p	10 Dec 2011	9 Dec 2018
26 Jun 2009	104,470	93,570	278p	26 Jun 2012	25 Jun 2019
9 Dec 2009	20,850	6,400	305p	9 Dec 2012	8 Dec 2019
5 Jul 2010	149,500	80,208	338p	5 Jul 2013	3 Jul 2020
17 Dec 2010	74,500	33,520	442p	17 Dec 2013	16 Dec 2020
14 Jun 2011	209,000	206,600	603p	14 Jun 2014	11 Jun 2021
15 Dec 2011	82,900	73,100	774p	15 Dec 2014	14 Dec 2021
26 Jun 2012	196,200	190,400	828p	26 Jun 2015	25 Jun 2022
10 Dec 2012	96,400	80,100	878p	10 Dec 2015	9 Dec 2022
17 Jun 2013	-	245,100	1,219p	17 Jun 2016	16 Jun 2023
16 Dec 2013	-	281,500	1,739p	16 Dec 2016	15 Dec 2023
	1,419,130	1,418,833			
	2,243,787	1,921,149			
Weighted average exercise price	514.2p	855.4p			

Notes to the consolidated financial statements

18. Share-based payments (continued)

At 31 March 2014, 580,599 share options were exercisable (2013 705,130) at a weighted average exercise price of 319.8p (2013: 286.5p) The average remaining contractual life of the outstanding options was 7.7 years (2013: 7 5 years).

19. Derivatives and financial instruments

Treasury activities take place under procedures and policies approved and monitored by the Board They are designed to minimise the financial risks faced by the Group which primarily arise from 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 £213,536,000 (2013: £144,567,000) and for the Company of £63,811,000 (2013: £146,331,000) 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 £251,858,000 (2013 £105,316,000) and for the Company £132,350,000 (2013: £108,193,000).

Credit risk

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

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

The maximum credit risk for the Group is £213,536,000 (2013: £144,567,000) and for the Company £63,811,000 (2013: £146,331,000).

Interest rate risk

The Group finances its day to day operations primarily through cash generated within the business. Cash surpluses are placed on deposit with Barclays Bank PLC at money market rates to maximise returns.

The Group's profit and equity for the current year will not be significantly affected by changes in the UK base rate of +/- 1% from current levels despite the recent increase in the level of net borrowings resulting from the transaction with Npower in December 2013

Notes to the consolidated financial statements

19. Derivatives and financial instruments (continued)

Commodity price risk

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

Liquidity risk

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

Foreign currency risk

The Group does not have any foreign currency exposure.

Interest rate and currency profile of financial assets and liabilities

All financial assets and liabilities are denominated in Sterling Receivables due after one year include £4,242,000 (2013· £3,215,000) due from employees and distributors which earns interest at variable rates above Base Rate.

Borrowing facilities

At 31 March 2014, the Group had total working capital facilities of £25,000,000 (2013: £20,000,000). These facilities are available to the Group until 20 December 2016. As at 31 March 2014 the Company had letters of credit in place relating to certain energy distribution charges with a total value covered of £11,787,500 (2013: £Nil)

At 31 March 2014, the Group had a transaction loan facility of £100,000,000 (2013 Nil) which was fully drawn down.

The facilities are secured by fixed and floating charges over the assets of the Company and through a cross guarantee with the Company's subsidiaries Electricity Plus Supply Limited, Gas Plus Supply Limited and Telecommunications Management Limited. Further details of the facilities are set out in note 12 of these financial statements.

Fair values

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

Notes to the consolidated financial statements

20. Related parties

Identity of related parties
The Company has related party relationships with its subsidiaries (see note 8), its associate (see note 8) and with its directors and executive officers.

Transactions with key management personnel
Directors of the Company and their immediate relatives control approximately 23% of the voting shares of the Company.

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

	2014	**2013**
	£'000	£'000
Short term employee benefits	1,142	1,024
Social security costs	601	133
Post employment benefits	106	95
	1,849	1,252
Share incentive scheme charges	3,454	469
	5,303	1,721

During the year, the Company acquired goods and services worth approximately £16,000 (2013: £17,000) from companies in which directors have a beneficial interest. No amounts were owed to these companies by the Company as at 31 March 2014. During the year, the Company sold goods and services worth approximately £10,000 (2013: £Nil) to companies in which directors have a beneficial interest.

During the year directors purchased goods and services on behalf of the Company worth approximately £1,841,000 (2013: £736,000). The directors were fully reimbursed for the purchases and no amounts were owing to the directors by the Company as at 31 March 2014.

As disclosed in the circular sent to shareholders on 20 November 2013, certain directors participated in a firm placing of new ordinary shares in the Company as follows Mr Andrew Lindsay £750,000, Mr Julian Schild £240,000 and Mr Michael Pavia: £10,000

Other related party transactions

Associates
During the year ended 31 March 2014, the associate supplied goods to the Group which amounted to £903,000 (2013: £877,000) and at 31 March 2014 the associate was owed £72,000 by the Group which is recognised within trade payables (2013: £66,000). Transactions with the associate are priced on an arm's length basis Dividends received during the year from the associate amounted to £3,056,000 (2013: £2,365,000) relating to the financial year to 31 March 2013.

Notes to the consolidated financial statements

20. Related parties (continued)

Subsidiary companies
During the year ended 31 March 2014, the Company's subsidiaries purchased goods and services from the Company in the amount of £9,350,000 (2013: £5,816,000) At 31 March 2014 the Company was owed £226,000 by the subsidiaries which is recognised within trade receivables (2013· £3,558,000 owed by the Company to the subsidiary).

21. New energy supply arrangements and acquisition of subsidiary undertakings

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

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

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

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

The total consideration for the Transaction comprised a cash payment to Npower of £196.5 million on 20 December 2014, a deferred cash amount of £21.5 million payable on 20 December 2016 and a cash payment of £2.5 million made in January 2014 for the net assets acquired in the Companies which comprised cash and short term working capital balances.

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

Notes to the consolidated financial statements

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

Gas Plus Supply Limited

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

Electricity Plus Supply Limited

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