2023 INTERIM RESULTS

Results for the first six months
to 30 June 2023

GROUP PLC

Yü Group PLC
(the "Group")

Results for the six months to 30 June 2023

MOVING TO THE SCALE STAGE OF OUR JOURNEY

Yü Group PLC (AIM: YU.), the independent supplier of gas and electricity, meter asset owner, and installer of smart meters to the UK corporate sector, announces its unaudited half-year results for the six months to 30 June 2023.

HIGHLIGHTS

£'m unless stated	6 MONTHS TO 30 JUNE			12 MONTHS TO 31 DEC
	H1 2023	H1 2022	CHANGE	FY 2022
Financial				
Revenue	194.9	129.2	+51%	278.6
Adjusted EBITDA[1]	13.7	2.7	+407%	7.9
Profit before tax	8.9	5.5	+62%	5.8
Operating cash inflow	18.7	10.3	+82%	14.7
Net cash	36.6	15.7	+133%	19.0
Earnings per share (diluted):				
Adjusted	58p	10p	+480%	30p
Statutory	40p	26p	+54%	26p
Dividend per share	3p	-	+3p	3p
Operational				
Average monthly bookings	51.3	14.3	+259%	24.5
Meter points (#'000)	39.7	26.1	+52%	25.5
Funded Smart Meter Assets (#'000)	1.3	-	+1.3	-

- Revenue growth of 51% to £194.9m (H1 2022: £129.2m), through continued execution of growth strategy.
- Adjusted EBITDA increased to £13.7m (H1 2022: £2.7m) as the Group benefits from increased net customer contribution through differentiated market offering.
- Profit before tax increased to £8.9m (H1 2022: £5.5m), reflecting a £4.2m unrealised non-cash charge (H1 2022: £3.3m gain) for financial derivatives due to the Group's hedging policy and declining commodity prices.
- Digital platform and market position have enabled average monthly bookings to increase to £51.3m (H1 2022: £14.3m) while the number of meter points has increased by 52%.
- Expansion of Yü Smart, the Group's smart metering business, providing improved customer insights and enabling more favourable customer and Group outcomes. Rollout of smart meters commenced with c4,000 installed at the end of H1 2023, of which 1,300 owned and to provide an annuity income for the Group.

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HIGHLIGHTS CONTINUED

- Group remains well capitalised with strong cash position of £36.6m (H1 2022: £15.7m). Operating cash inflow of £18.7m is up 82% (H1 2022: £10.3m).
- Interim dividend of 3 pence per share (H1 2022: nil) as part of the Group's progressive dividend policy.

OUTLOOK

- The Board expects the strong revenue and margin performance to continue for H2 2023, with adjusted EBITDA now expected to exceed £33m for FY 2023, being substantially ahead of current market expectations.
- The Group has an established and scalable platform, and management are confident that the Group can deliver continued significant growth in FY 2024 as it benefits from its subscription model and market positioning, and strong margins on forward contracts. The Digital by Default platform, differentiated offering and current small share of a substantial market provides the Board with confidence in driving sustainable growth for the long term.
- As of 31 August 2023, contracted revenue of £358m is due to deliver in 2024; a 201% year-on-year increase. In addition, the Group has a further c£145m contracted revenue for FY 2025 and beyond, underpinning the long-term growth trajectory of the business.
- The ambition of achieving revenues of £500m at a 5% EBITDA margin is no longer a stretch target for the Group, with the margin target already exceeded and as such management will re-evaluate its ambition for 2024 and beyond.

Note:

1. Adjusted EBITDA represents earnings before interest, tax, depreciation and amortisation. It also excludes the loss or gain in relation to the movement in the Group's financial derivative asset and liability.

BOBBY KALAR, CHIEF EXECUTIVE OFFICER, SAID:

"We have kept our promise and delivered profitable, sustainable growth in H1 2023 and I look forward to doing the same in H2 2023 and beyond.

I'm pleased to report another set of excellent results reflecting our continuing strong and predictable performance. Keeping in mind this is our sixth consecutive and consistent set of results improvement, our ability to sustainably grow the business is well proven and we are now firmly in the scale stage of our journey.

Our financial KPI's continue to perform ahead of expectations. Revenue is up by 51% to £194.9m, cash has increased 133% to £36.6m, average monthly bookings have increased by 259% to £51.3m and EBITDA has grown over 400% to £13.7m, compared to H1 2022. We now forecast a new record performance to follow in H2 2023 and we expect to see EBITDA over £33m for FY 2023, up from current market expectations of c£19m.

Our Yü Smart business is now fully embedded and delivering impressive results since its launch in January 2023 and I'm pleased that meter installation numbers are growing by the month. I expect the Group to have installed at least 10,000 meters by the end of this year. I believe the integration of Yü Smart to the supply business will be a game changer in terms of the Group's ability to better understand customer usage and payment habits.

We have strong foundations, a proven strategy and great momentum in a substantial market. We look forward to continuing to deliver in H2 2023 and beyond."

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ANALYST PRESENTATION

A presentation for analysts will be held at 9.00am today, 26 September at the offices of Teneo, 85 Fleet Street, EC4Y 1AE. To register to attend or for webcast details please contact Yugroup@teneo.com.

Notes to Editors:

Information on the Group

Yü Group PLC is a leading challenger supplier of gas and electricity focused on servicing the corporate sector throughout the UK. We drive innovation through a combination of user-friendly digital solutions and personalised, high quality customer service. The Group plays a key role supporting businesses in their transition to lower carbon technologies with a commitment to providing sustainable energy solutions.

Yü Group has a clear strategy to deliver sustainable profitable growth and value for all of our stakeholders, built on strong foundations and with a robust hedging policy. In 2023 the Group launched Yü Smart to support growth through new opportunities in smart metering installation.

With a significant opportunity in a £50bn+ addressable market, Yü Group is fast approaching the stated goal of £500m revenue, and is already exceeding the 5%+ EBITDA margin target.

CHIEF EXECUTIVE OFFICER'S STATEMENT

I'm delighted to again announce a record performance and strong continuing momentum, as we continue to benefit from our robust strategic priorities:

- Bigger – high organic growth in a significant market with a less competitive landscape.
- Better – unlocking commercial opportunities using operational leverage and focussed working capital management to drive improved profitability above our stated 5% EBITDA margin target, and strong cash generation.
- Faster – our Digital by Default and smart metering investments bring new market opportunities and operational efficiency; and
- Stronger – delivered through an experienced team, a focus on customer service to differentiate our offer, and a robust commodity hedging strategy to protect against volatile markets.

Delivering on our Vision

It's been a tough few years for the energy industry and we've seen significant consolidation in the B2B gas and electricity supply sector primarily due to the impacts and aftermath of the pandemic and the 'energy crisis' compounded by the war in Ukraine. I'm pleased that the Group has successfully navigated these challenges and generated, from H1 2020, revenue CAGR of 51% alongside improved margins and cash generation – which is testament to the resilience of the business. With industry headwinds of the past few years quickly becoming tail-winds, I am confident we will continue seeing the financial benefits of our bigger, better, faster, stronger strategy.

Energy commodity market prices have declined c75% compared to the same time last year. Nevertheless, our differentiated offering has enabled the Group to record significant organic growth and gain further market share, cementing our position as a leading challenger brand. Average monthly bookings are up 259% to £51.3m on the same period in 2022, and meter points have increased 52% in H1 2023 to 39,700. Our customers are 'locking in' longer term supply contracts more quickly to avoid commodity volatility and guarantee price certainty.

The addressable market is some 3.3m business meter points, which today is largely dominated (though with a declining market share) by large suppliers. The Group remains well positioned to continue to grow its 1.2% market share as it differentiates through market-leading customer experience and speed of delivery through its leading digital platform, providing ample scope for sustainable growth over the medium term. The Group's management team and systems have been invested in to build a business capable of delivering significant scale.

Our vision remains to scale our business sustainably, and while the Group will continue to explore 'bolt on' value-add opportunities, we have consistently demonstrated our ability to grow organically.

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The Group is well-positioned for continued growth in a market that has consolidated competition, higher barriers to entry and increased regulator financial fitness checks for all entrants. I'm pleased our strong balance sheet and disciplined governance means we are ideally positioned to benefit from this new environment.

I am also extremely pleased with the recognition received in the Sunday Times Best Places to Work 2023, which is testament to the culture our colleagues are collectively creating.

Delivering sustainable growth with strong momentum

The Board is pleased with progress in relation to top line growth and margin expansion and believes its Digital by Default platform and the investment in Yü Smart, coupled with its differentiated market position, will enable margin to continue to expand in the short and medium term. Therefore, the ambition of achieving revenues of £500m at a 5% EBITDA margin is no longer a stretch target for the Group and as such management will re-evaluate its ambition for 2024 and beyond.

The events of the past few years have stress-tested the Group's ability to grow sustainably in a volatile market. Having successfully navigated the challenges and emerged stronger, management believe there is even more opportunity in this huge addressable market. While energy has been a topical subject over the past few years, I see no let-up or substitute for the UK's appetite or reliance on the use of gas and electricity, and while some businesses will close, others will open in their place. As such I see the remaining B2B suppliers benefitting from this less competitive, more orderly market. This is reflective of our growth in our contracted meter points which we target to increase significantly.

I am pleased to report that, from its establishment in late 2022, the investment in Yü Smart is now bearing fruit. The Group has installed c4,000 meters, of which 1,300 were funded by the Group at 30 June 2023, and we expect to reach over 10,000 meters installed by the end of the year. As well as customer and operational benefits due to this smart meter roll-out, the financing of meters will, in the medium-term, drive an index-linked and enduring annuity income stream for the Group, providing positive ROI. There remains a significant opportunity to unlock smart metering opportunities, with 48% of business-to-business meters still requiring conversion and mandatory targets on suppliers.

Outlook

With a very strong performance in H1, and visibility of our forward looking contract book, I expect that H2 2023 will be even stronger. While our focus remains on delivering our 2023 targets our 2024 contract book is building significantly with £358m already due to be delivered in 2024.

We will continue to invest in our Yü Smart business and accelerate our smart meter installations program, and take market share as we move to the scale stage of our journey. I look forward to reporting progress in the coming months.

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FINANCIAL REVIEW

£'m unless stated	6 MONTHS TO 30 JUNE			12 MONTHS TO 31 DEC
	H1 2023	**H1 2022**	**CHANGE**	**FY 2022**
Revenue	194.9	129.2	+51%	278.6
Gross Margin	33.6	18.2	+85%	44.1
Gross margin %	*17.2%*	*14.1%*	*+3.1%*	*15.8%*
Net customer contribution %	*13.1%*	*6.7%*	*+6.4%*	*8.2%*
General overheads %	*(6.0%)*	*(4.6%)*	*(1.4%)*	*(5.3%)*
Adjusted EBITDA %	*7.0%*	*2.1%*	*+4.9%*	*2.8%*
Adjusted EBITDA[1]	**13.7**	**2.7**	**+11.0**	**7.9**
Depreciation	*(0.6)*	*(0.6)*	-	*(1.1)*
Financial derivative (loss)/gain	*(4.2)*	*3.3*	*(7.5)*	*(0.9)*
Tax	*(1.6)*	*(1.0)*	*(0.6)*	*(1.1)*
Profit after tax	**7.3**	**4.4**	**+2.9**	**4.8**
Earnings per share (diluted):				
Adjusted	58p	10p	+48p	30p
Statutory	40p	26p	+14p	26p
Operating cash inflow	18.7	10.3	+8.4	14.7
Overdue customer receivables	4days	7days	(3)days	5days
Net cash	**36.6**	**15.7**	**+20.9**	**19.0**
Dividend per share	3p	-	+3p	3p

Substantial revenue growth and margin expansion

The six months to 30 June 2023 delivered significant organic growth, with revenue of £194.9m, up 51% on H1 2022 and already at 70% of the total for the 12 months to 31 December 2022.

Strong bookings provide confidence in continued revenue growth into H2 2023 and beyond. Contracted revenues of £358m to deliver in FY 2024 (at 31 August 2023) are up 201% on the same period last year, and already above the £247m contracted for FY 2023 as we exited 2022. In addition, the Group has contracted revenues of c£145m for FY 2025 and beyond underpinning the long-term growth trajectory of the business.

More pleasingly, gross margin, net customer contribution and adjusted EBITDA margin continue to improve in parallel with strong growth at the top line.

The competitive environment and the Group's market positioning have enabled healthy margins to be secured. The Group's robust and optimised pricing systems, focus on delivering to the otherwise under-serviced SME segment, efficient customer service and vertical integration via Yü Smart has delivered a 17.2% gross margin in H1 2023 (H1 2022: 14.1%). Margins secured (and hedged in relation to commodity prices) on the forward contract book are also robust.

The utilisation of our Digital by Default platform and data analytics allows further enhancement of customer lifecycle value, including renewal strategies, customer receivables management and operational and hedging efficiency.

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The investments made in the people, systems and processes, and the market opportunity available, manifest themselves in an improved net customer contribution (which measures gross margin less bad debt as a percentage of revenue). The Group achieved 13.1% for H1 2023, a continued progression from 6.7% achieved for H1 2022 and 9.4% for H2 2022 (FY 2022: 8.2%).

In addition to the increased gross margin of 17.2%, the charge for bad debt has reduced to 4.1% of revenue (from 7.4% in H1 2022) reflecting strong cash collection from customers. The utilisation of Yü Smart to support customer debt management services and improve customer outcomes remains a significant management focus for further improvement to NCC in H2 2023 and beyond.

It is also of note that Overdue Customer Receivables ("OCR"), a measure of delayed billings and overdue debt net of provisions, is at only 4 days' sales. This is a result of the closing bad debt provision reflecting the uncertainty in energy markets and the wider economic context and allowing for the removal of some BEIS customer subsidies. Cash collection in H1 2023 was c98% of billed value, suggesting a potential to achieve an ongoing 2% bad debt charge should current performance continue. The Board continue to monitor the level of bad debt and highlights the potential for further significant upside to underlying profitability.

General overheads at 6.0% of revenue (H1 2022: 4.6%) reflect the investment in mobilising Yü Smart activities, certain share-based payment charges, and investment in sales and marketing to further accelerate growth.

Adjusted EBITDA margin of 7.0% for H1 2023 is above the stated 5.0% management target and the Board will look to further invest in growth and efficiency enabling overheads to further build market share and take advantage of the Group's scalable platforms and drive operational leverage.

Strong balance sheet and cash position

The Group's profit after tax of £7.3m (H1 2022: £4.4m) is net of a £4.2m charge (H1 2022: £3.3m gain) on the movement in the recognised financial derivative liability (31 December 2022: asset) for a small proportion of forward commodity trades which do not meet the strict criteria of own-use contracts under accounting standards. This unrealised charge is a result of a declining commodity market. The Board exclude such gain or loss from adjusted EBITDA as it is unrealised, non-cash, and is considered in the pricing strategy and energy balancing operations of the Group.

Adjusted EPS, fully diluted, for the six months to 30 June 2022 is 58p, up 48p (H1 2022: 10p). Reflecting the non-cash financial derivative charge referred above, Statutory Reported EPS is 40p (H1 2022: 26p including gain on financial derivative).

Operating cash inflow of £18.7m (H1 2022: £10.3m) benefits from strong customer receivable collection rates. The performance is also net of £16.5m of outflow in respect of the prepayment of energy commodity costs.

The Group has incurred capital-expenditure of £0.4m in H1 2023 (H1 2022: £1.6m) which is predominantly due to the investment in smart meters. As the Group starts to scale its funding in smart meter assets, an investment in c10,000 new smart meters would have capital-expenditure of approximately £2m, with an index-linked, recurring, 15+ year anticipated annuity income stream of c£0.4m per year. This annuity provides additional margin value in addition to the other very significant financial and operational benefits that smart meters enable.

The Board expects a new £5.2m debt facility to close in the short term, with debt drawdowns to commence in H2 2023 as the Group's smart metering installations scale. The funding will introduce a manageable level of debt to the Group, secured on the smart meter assets and funded over a 12+ year term without recourse to the wider Group.

During H1 2023, the Group recognised £1.6m of right-of use assets, and related lease liabilities, under IFRS 16 (Leases). This includes £1.0m in relation to the extension of the lease of the Group's Nottingham head office and £0.6m for short term leases of motor vehicles for utilisation by the Group's engineering team.

The Board notes net assets of £22.1m at 30 June 2023, an increase on the £13.8m at 30 June 2022. Net current assets are £16.6m, up £11.6m from the £5.0m at 30 June 2022.

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Net cash of £36.6m is up £20.9m on 30 June 2022 after accounting for the £16.5m of prepaid energy commodity costs referred to above. As expected, the Group repaid its £15.2m annual Renewable Obligation Certificate liability to Ofgem on 31 August 2023, and cash is now expected to significantly increase to 31 December 2023.

DIVIDEND

The Board paid £0.5m in dividends in June 2023, following the 3p final FY 2022 dividend declared at the annual general meeting. There was no interim dividend or payments in the previous year.

As part of its capital allocation policy balancing working capital and investment for growth, the Board is establishing a progressive dividend policy.

The Board is now declaring a 3p per share interim dividend (H1 2022: nil), equating to a payment of £0.5m. The shares will go ex-dividend on 23 November 2023 and the record date is 24 November 2023, with a payment date of 20 December 2023.

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	**6 months ended 30 June 2023 (Unaudited) £'000**	6 months ended 30 June 2022 (Unaudited) £'000	12 months ended 31 December 2022 (Audited) £'000
Revenue		**194,899**	129,221	278,587
Cost of sales		**(161,336)**	(111,008)	(234,462)
Gross profit		**33,563**	18,213	44,125
Operating costs before share based payment charges		**(12,027)**	(6,405)	(15,565)
Operating costs – share based payment charges	19	**(471)**	(48)	(284)
Total operating costs	3	**(12,498)**	(6,453)	(15,849)
Net impairment losses on financial and contract assets	13	**(8,085)**	(9,614)	(21,420)
Unrealised (loss) / gain on derivatives	5	**(4,221)**	3,355	(926)
Operating profit		**8,759**	5,501	5,930
Finance income	4	**178**	—	1
Finance costs	4	**(36)**	(24)	(91)
Profit before tax		**8,901**	5,477	5,840
Taxation	7	**(1,591)**	(1,040)	(1,071)
Profit and total comprehensive income for the year		**7,310**	4,437	4,769
Earnings per share				
Basic	6	**£0.44**	£0.27	£0.29
Diluted	6	**£0.40**	£0.26	£0.26

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CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2023

	Notes	**30 June 2023 (Unaudited) £'000**	30 June 2022 (Unaudited) £'000	31 December 2022 (Audited) £'000
ASSETS				
Non-current assets				
Intangible assets	9	**2,810**	2,578	3,111
Property, plant and equipment	10	**3,838**	3,636	3,641
Right-of-use assets	11	**1,533**	153	113
Deferred tax assets	7	**3,709**	4,892	5,300
Financial derivative asset	16	**—**	1,793	1,562
		11,890	13,052	13,727
Current assets				
Stock	12	**297**	—	345
Trade and other receivables	13	**53,794**	32,525	54,339
Financial derivative asset	16	**—**	5,534	1,484
Cash and cash equivalents	14	**36,621**	15,657	18,970
		90,712	53,716	75,138
Total assets		**102,602**	66,768	88,865
LIABILITIES				
Current liabilities				
Trade and other payables	15	**(73,070)**	(48,754)	(73,860)
Financial derivative liability	16	**(1,049)**	—	—
		(74,119)	(48,754)	(73,860)
Non-current liabilities				
Trade and other payables	15	**(6,276)**	(4,243)	(206)
Financial derivative liability	16	**(126)**	—	—
		(6,402)	(4,243)	(206)
Total liabilities		**(80,521)**	(52,997)	(74,066)
Net assets		**22,081**	13,771	14,799
EQUITY				
Share capital		**83**	83	83
Share premium		**11,786**	11,690	11,785
Merger reserve		**(50)**	(50)	(50)
Retained earnings		**10,262**	2,048	2,981
		22,081	13,771	14,799

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2023	83	11,785	(50)	2,981	14,799
Total comprehensive income for the period					
Profit for the period	—	—	—	7,310	7,310
Other comprehensive income	—	—	—	—	—
	—	—	—	7,310	7,310
Transactions with owners of the Company					
Contributions and distributions					
Equity-settled share based payments	—	—	—	471	471
Deferred tax on share based payments	—	—	—	—	—
Proceeds from share issues	—	1	—	—	1
Equity dividend paid in the period	—	—	—	(500)	(500)
Total transactions with owners of the Company	—	1	—	(29)	(28)
Balance at 30 June 2023	**83**	**11,786**	**(50)**	**10,262**	**22,081**
Balance at 1 January 2022	82	11,690	(50)	(2,437)	9,285
Total comprehensive income for the period					
Profit for the period	—	—	—	4,437	4,437
Other comprehensive income	—	—	—	—	—
	—	—	—	4,437	4,437
Transactions with owners of the Company					
Contributions and distributions					
Equity-settled share based payments	—	—	—	48	48
Deferred tax on share based payments	—	—	—	—	—
Proceeds from share issues	1	—	—	—	1
Total transactions with owners of the Company	1	—	—	48	49
Balance at 30 June 2022	83	11,690	(50)	2,048	13,771

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	6 months ended 30 June 2023 (Unaudited) £'000	6 months ended 30 June 2022 (Unaudited) £'000	12 months ended 31 December 2022 (Audited) £'000
Cash flows from operating activities			
Profit for the financial period	**7,310**	4,437	4,769
Adjustments for:			
Depreciation of property, plant and equipment	**167**	168	325
Depreciation of right-of-use assets	**228**	40	80
Amortisation of intangible assets	**339**	332	648
Unrealised loss / (gain) on derivative contracts	**4,221**	(3,355)	926
Decrease / (increase) in stock	**48**	—	(345)
Decrease / (increase) in trade and other receivables	**545**	4,814	(17,000)
Increase in trade and other payables	**3,900**	2,767	23,889
Finance income	**(178)**	—	(1)
Finance costs	**36**	24	91
Taxation	**1,591**	1,040	1,071
Share based payment charge	**471**	48	284
Net cash from operating activities	**18,678**	10,315	14,737
Cash flows from investing activities			
Purchase of property, plant and equipment	**(364)**	(53)	(215)
Payment of software development costs	**(38)**	(1,205)	(2,210)
Payment of consideration on business combination	**—**	(372)	(216)
Net cash used in investing activities	**(402)**	(1,630)	(2,641)
Cash flows from financing activities			
Net proceeds from share option exercises	**1**	1	96
Cash-settled share based payment charge	**—**	—	(74)
Interest received / (paid)	**142**	(17)	(76)
Principal element of lease payments	**(268)**	(61)	(121)
Equity dividends paid	**(500)**	—	—
Net cash used in financing activities	**(625)**	(77)	(175)
Net increase in cash and cash equivalents	**17,651**	8,608	11,921
Cash and cash equivalents at the start of the period	**18,970**	7,049	7,049
Cash and cash equivalents at the end of the period	**36,621**	15,657	18,970

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies

Yü Group PLC (the "Company") is a public limited company incorporated in the United Kingdom, with company number 10004236. The Company is limited by shares and the Company's ordinary shares are traded on AIM.

These condensed consolidated half yearly financial statements as at and for the six months ended 30 June 2023 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the supply of electricity, gas and water to SMEs and larger corporates in the UK.

Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared in accordance with UK-adopted International Accounting Standards.

The unaudited condensed consolidated interim financial report for the six months ended 30 June 2023 does not include all of the information required for full annual financial statements and does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. This report should therefore be read in conjunction with the Group annual report for the year ended 31 December 2022, which is available on the Group's investor website (yugroupplc.com). The comparative figures for the year ended 31 December 2022 have been audited. The comparative figures for the half year ended 30 June 2022, and the actual figures for the half year to 30 June 2023, are unaudited.

The accounting policies adopted in these condensed consolidated half yearly financial statements are consistent with the policies applied in the 2022 Group financial statements.

The consolidated financial statements are presented in British pounds sterling (£), which is the functional and presentational currency of the Group. All values are rounded to the nearest thousand (£'000), except where otherwise indicated.

Going concern

The financial statements are prepared on a going concern basis.

At 30 June 2023, the Group had net assets of £22.1m (30 June 2022: £13.8m and 31 December 2022: £14.8m) and cash of £36.6m (30 June 2022: £15.7m and 31 December 2022: £19.0m).

Management prepares detailed budgets and forecasts of financial performance and cash flow (including capital commitments) over the coming 18 months as a minimum. The Board has confidence in achieving such targets and forecasts and has performed comprehensive analysis of various risks and sensitivities in relation to performance, the energy market and the wider economy.

The Group continues to demonstrate significant progress in its results and cash liquidity. This has led to adjusted EBITDA profitability (a close profitability measure to cash generated from operations) in H1 2023 which is significantly above the same period in 2022. Cash available has also increased significantly, and is above more cautious management forecasts.

The directors are pleased to note the increased cash balance, and the consistent cash generation and improvement in the financial position of the Group.

The Board continue to ensure the implementation of a hedging and trading risk mandate which reduces profit risk whilst also considering Group credit lines, and in particular to avoid margin calls from counterparties which are beyond the Group's then cash balance. The board is also considering potential medium term approaches to hedging arrangements.

Summary

Following extensive review of the Group's forward business plan and associated risks and sensitivities to these base forecasts (and available mitigation strategies), the Board concludes that it is appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

The consolidated accounts of the Group include the assets, liabilities and results of the Company and subsidiary undertakings in which Yü Group PLC has a controlling interest. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and can affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following: power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Use of estimates and judgements

The preparation of the financial statements in conformity with adopted IFRSs requires the use of estimates and judgements. Although these estimates are based on management's best knowledge, actual results ultimately may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The key areas of estimation and judgement remain as detailed in the Group's 2022 annual report.

Revenue recognition

The Group enters into contracts to supply gas, electricity and water to its customers. Revenue represents the fair value of the consideration received or receivable from the sale of actual and estimated gas, electricity and water supplied during the year, net of discounts, climate change levy and value-added tax. Revenue is recognised on consumption, being the point at which the transfer of the goods or services to the customer takes place and based on an assessment of the extent to which performance obligations have been achieved.

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Due to the nature of the energy supply industry and its reliance upon estimated meter readings, gas, electricity and water revenue includes the directors' best estimate of differences between estimated sales and billed sales. The Group makes estimates of customer consumption based on available industry data, and also seasonal usage curves that have been estimated through historical actual usage data. It also considers any adjustments expected where an estimated meter reading (using industry data) is expected to be different to the consumption pattern of the customer.

The Group's operations include the supply of metering services, or the installation of metering assets, on behalf of Group companies. Such revenues are eliminated on consolidation. Where services for metering services or metering installation services are for the benefit of third parties, revenue is recognised in line with the work performed. Revenue for smart metering services is recognised at a point in time.

Government support to customers

The Energy Bills Relief Scheme ("EBRS"), and certain less material (for the Group) other schemes, implemented by HM Government, through BEIS, results in customers being provided financial support through a contribution to their energy charges. Under the EBRS arrangement, amounts receivable from BEIS do not impact the Group's contract with customers, and therefore the amounts contributed under EBRS are treated as a cash payment towards customer bills. As such, revenue recognised is based on the amount chargeable per the contract with customers which is gross of the amount contributed through EBRS.

Financial instruments

Non-derivative financial instruments
Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

Trade and other receivables
Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment and expected credit losses.

Impairment
The Group has elected to measure credit loss allowances for trade receivables and accrued income at an amount equal to lifetime expected credit losses ("ECLs"). Specific impairments are made when there is a known impairment need against trade receivables and accrued income. When estimating ECLs, the Group assesses reasonable, relevant and supportable information, which does not require undue cost or effort to produce. This includes quantitative and qualitative information and analysis, incorporating historical experience, informed credit assessments and forward looking information. Loss allowances are deducted from the gross carrying amount of the assets.

Trade and other payables
Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and short-term deposits (monies held on deposit are accessible with one month's written notice). Cash and cash equivalents exclude any cash collateral posted with third parties and bank accounts which are secured by the Group's bankers (or others). It also excludes cash held in bank accounts which have, as part of government schemes such as EBRS, cash balances which are not yet transferred to the Group's main operating bank accounts.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

Derivative financial instruments
The Group uses commodity purchase contracts to hedge its exposures to fluctuations in gas and electricity commodity prices. Most commodity purchase contracts are expected to be delivered entirely to the Group's customers and therefore the Group classifies them as "own use" contracts and outside the scope of IFRS 9 "Financial Instruments". This is achieved when:

- a physical delivery takes place under all such contracts;
- the volumes purchased or sold under the contracts correspond to the Group's operating requirements; and
- no part of the contract is settled net in cash.

This classification as "own use" allows the Group not to recognise the commodity purchase contracts on its balance sheet at the year end.

The commodity purchase contracts that do not meet the criteria listed above are recognised at fair value under IFRS 9. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Classification of financial instruments issued by the Group
Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Details of the sensitivity analysis performed in relation to the Group's financial instruments are included in note 17.

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Intangible assets
Intangible assets that are acquired separately by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired in a business combination are initially recognised at their fair value at the acquisition date. After initial recognition, intangible assets acquired in a business combination are reported at their initial fair value less amortisation and accumulated impairment losses.

Goodwill arising on business combination is accounted for in line with the business combination disclosure.

Software and system assets are recognised at cost, including those internal costs attributable to the development and implementation of the asset in order to bring it into use. Cost comprises all directly attributable costs, including costs of employee benefits arising directly from the development and implementation of software and system assets.

Amortisation is charged to the statement of profit and loss on a straight-line basis over the estimated useful lives of the intangible assets from the date they are available for use. The estimated useful lives are as follows:

- Licence – 35 years
- Customer contract books – Over the period of the contracts acquired (typically 2 years)
- Software and systems – 3 to 5 years

Goodwill is not amortised, as it is subject to impairment review.

Property, plant and equipment
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives for the current and comparative periods are as follows:

- Freehold land – Not depreciated
- Freehold property – 30 years
- Plant and machinery – 5 to 15 years
- Computer equipment – 3 years
- Fixtures and fittings – 3 years

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree.

All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

Contingent consideration to be transferred by the Group is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability are recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired and liabilities assumed, and the fair value of the consideration transferred is recognised as goodwill. If the consideration transferred and the pre-existing fair values are less than the fair value of the identifiable net assets acquired, being a bargain purchase to the Group, the difference is recognised as a gain directly in profit or loss on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired and the consideration transferred.

Business combinations are initially accounted for on a provisional basis. The Group retrospectively adjusts the provisional amounts recognised and recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

In determining whether an acquisition of an acquired set of activities and assets is a business, the "concentration test" methodology as outlined in IFRS 3 is utilised. Where substantially all the fair value of the gross assets acquired are attributable to a single identifiable asset group, such as a customer list, then a business combination will not occur.

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Leased assets

The Group as a lessee

For any new contract entered into the Group considers whether a contract is, or contains, a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets are separately identified and lease liabilities have been included in trade and other payables.

Stock

Stock is held at the lower of cost and net realisable value.

Share based payments

Share based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share based payment transactions, regardless of how the equity instruments are obtained by the Group.

The cost of equity-settled transactions with employees is measured by reference to the fair value on the date they are granted. Where there are no market conditions attaching to the exercise of the option, the fair value is determined using a range of inputs into a Black Scholes pricing model. Where there are market conditions attaching to the exercise of the options a trinomial option pricing model is used to determine fair value based on a range of inputs. The value of equity-settled transactions is charged to the statement of comprehensive income over the period in which the service conditions are fulfilled with a corresponding credit to a share based payments reserve in equity.

Employer's National Insurance costs arising and settled in cash on exercise of unapproved share options are included in the share based payment charge in the profit or loss, with no corresponding credit to reserves in equity.

Pension and post-retirement benefit

The Group operates a defined contribution scheme which is available to all employees. The assets of the scheme are held separately from those of the Group in independently administered funds. Payments are made by the Group to this scheme and contributions are charged to the statement of comprehensive income as they become payable.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the statement of profit and loss 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 or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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.

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A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Segmental reporting
In accordance with IFRS 8 "Operating Segments", the Group has made the following considerations to arrive at the disclosure made in this financial information.

IFRS 8 requires consideration of the Chief Operating Decision Maker ("CODM") within the Group. In line with the Group's internal reporting framework and management structure, the key strategic and operating decisions are made by the Board of directors, which regularly reviews the Group's performance and balance sheet position and receives financial information for the Group as a whole. Accordingly, the Board of directors is deemed to be the CODM.

The Group's revenue and profit were derived from its principal activity, which is the supply of utilities to business customers in the UK. Consequently, the Group has one reportable segment, which is the supply of electricity, gas and water to businesses. Segmental profit is measured at operating profit level, as shown on the face of the statement of profit and loss.

As there is only one reportable segment whose profit, expenses, assets, liabilities and cash flows are measured and reported on a basis consistent with the financial statements, no additional numerical disclosures are necessary.

Standards and interpretations
The Group has adopted all of the new or amended accounting standards and interpretations that are mandatory for the current reporting period.

2. Segmental analysis

Operating segments
The directors consider there to be two operating segments, being the supply of utilities to businesses ("Yü Retail") and the installation, maintenance and financing of energy assets ("Yü Smart"). Information on the revenues arising from the installation, maintenance and financing of energy assets will be disclosed separately when the revenue becomes material to the Group. Segmental assets and liabilities are not reviewed by the Board.

Geographical segments
100% of Group revenue is generated from sales to customers in the United Kingdom (2022: 100%) and is recognised at a point in time.

The Group has no individual customers representing over 10% of revenue (2022: none).

3. Operating Profit

	30 June 2023 £'000	30 June 2022 £'000	31 December 2022 £'000
Profit for the period has been arrived at after charging:			
Staff costs	**6,757**	3,147	9,045
Depreciation of property, plant and equipment	**167**	168	325
Depreciation of right-of-use assets	**228**	40	80
Amortisation of intangible assets	**339**	332	648

4. Net finance income / (expense)

	30 June 2023 £'000	30 June 2022 £'000	31 December 2022 £'000
Bank interest receivable	**92**	—	1
Other interest receivable	**86**	—	—
Total finance income	**178**	—	1
Bank interest and other finance charges payable	**—**	(17)	(77)
Interest on lease liabilities	**(36)**	(7)	(14)
Total finance costs	**(36)**	(24)	(91)

5. Reconciliation to adjusted EBITDA

A key alternative performance measure used by the directors to assess the underlying performance of the business is adjusted EBITDA.

	30 June 2023 £'000	30 June 2022 £'000	31 December 2022 £'000
Adjusted EBITDA reconciliation			
Operating profit	**8,759**	5,501	5,930
Add back:			
Unrealised loss / (gain) on derivative contracts	**4,221**	(3,355)	926
Depreciation of property, plant and equipment	**167**	168	325
Depreciation of right-of-use assets	**228**	40	80
Amortisation of intangibles	**339**	332	648
Adjusted EBITDA	**13,714**	2,686	7,909

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The directors consider adjusted EBITDA to be a more accurate representation of underlying business performance (linked to cash from recurring and normalised profitability, and available for shareholders) and therefore utilise it as the primary profit measure in setting targets and managing financial performance.

The unrealised loss on derivative contracts of £4,221,000 (30 June 2022: £3,355,000 gain, and 31 December 2022: £926,000 loss) arises from a small proportion of forward commodity hedges which do not meet the strict "own use" criteria under IFRS 9 ("Financial Instruments"). Such portion of forward commodity trades are recognised at their fair value. The unrealised loss in the period is a result of the declining value of global commodity markets during H1 2023. The Board exclude such gain or loss from adjusted EBITDA as it is unrealised, and as it is considered in the contract pricing strategy and energy balancing operations of the Group.

6. Earnings per share

Basic earnings per share

Basic earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding.

	30 June 2023 £'000	30 June 2022 £'000	31 December 2022 £'000
Profit for the year attributable to ordinary shareholders	**7,310**	4,437	4,769

	30 June 2023	30 June 2022	31 December 2022
Weighted average number of ordinary shares			
At the start of the period	**16,649,618**	16,316,215	16,316,215
Effect of shares issued in the period	**12,938**	125,000	180,818
Number of ordinary shares for basic earnings per share calculation	**16,662,556**	16,441,215	16,497,033
Dilutive effect of outstanding share options	**1,615,188**	804,932	1,722,632
Number of ordinary shares for diluted earnings per share calculation	**18,277,744**	17,246,147	18,219,665

	30 June 2023	30 June 2022	31 December 2022
Basic earnings per share	**£0.44**	£0.27	£0.29
Diluted earnings per share	**£0.40**	£0.26	£0.26

Adjusted earnings per share

Adjusted earnings per share is based on the result attributable to ordinary shareholders before non-recurring items after tax and unrealised gains on derivative contracts and the weighted average number of ordinary shares outstanding:

	30 June 2023 £'000	30 June 2022 £'000	31 December 2022 £'000
Adjusted earnings per share			
Profit for the year attributable to ordinary shareholders	**7,310**	4,437	4,769
Add back:			
Unrealised loss / (gain) on derivative contracts after tax (June 2023: gross loss, before tax, of £4,221,000 per note 5)	**3,292**	(2,718)	750
Adjusted basic profit for the period	**10,602**	1,719	5,519
Adjusted earnings per share	**£0.64**	£0.10	£0.33
Diluted adjusted earnings per share	**£0.58**	£0.10	£0.30

7. Taxation

The tax charge for the period has been estimated using a rate of 19% for the period to 31 March 2023 and 25% for the period after, considering certain allowances and adjustments in calculating the Group's taxable profits and an over provision in FY 2022.

The Group has incurred a charge against deferred tax in the period, rather than a current tax charge.

Deferred taxes at the balance sheet date have been estimated using the enacted tax rates at that date and are reflected in these financial statements on that basis. The deferred tax arises in view of significant tax losses available to set against future profits of the Group.

8. Dividends

The Group reinstated its progressive dividend policy based on the 2022 annual results. The 2022 final dividend of 3 pence per share, being £500,000 in total, was paid in June 2023.

The directors propose an interim dividend for the period to 30 June 2023 of 3 pence per share (2022: nil per share). The interim dividend is payable 20 December 2023.

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9. Intangible assets

	Electricity licence £'000	Goodwill £'000	Customer books £'000	Software and systems £'000	Total £'000
Cost					
At 1 January 2023	62	216	686	3,289	4,253
Additions	—	—	—	38	38
At 30 June 2023	**62**	**216**	**686**	**3,327**	**4,291**
Amortisation					
At 1 January 2023	16	—	686	440	1,142
Charge for the period	1	—	—	338	339
At 30 June 2023	**17**	**—**	**686**	**778**	**1,481**
Net book value at 30 June 2023	**45**	**216**	**—**	**2,549**	**2,810**
Cost					
At 1 January 2022	62	—	686	1,079	1,827
Additions	142	230	—	1,205	1,577
At 30 June 2022	**204**	**230**	**686**	**2,284**	**3,404**
Amortisation					
At 1 January 2022	14	—	473	7	494
Charge for the period	1	—	172	159	332
At 30 June 2022	**15**	**—**	**645**	**166**	**826**
Net book value at 30 June 2022	**189**	**230**	**41**	**2,118**	**2,578**

The useful economic life of the acquired electricity licence is 35 years, which represents the fact that the licence can be revoked by giving 25 years' written notice but that this notice cannot be given any sooner than 10 years after the licence came into force in January 2013.

Goodwill of £216,000 arose on the acquisition of the management and certain other assets of Magnum Utilities Limited in May 2022, as disclosed in the 2022 annual report. The acquisition created the foundations for the Yü Smart business unit. The goodwill and licence investment recognised in June 2022 was subsequently reclassified in the 31 December 2022 balance sheet.

Goodwill is reviewed annually for signs of impairment. The underlying assets related to the goodwill have been classified in a wider cash generating unit related to smart metering activities.

The customer book intangibles relate to the two separate acquisitions that took place in 2020. They represent the fair value of the customer contracts purchased in those acquisitions. The intangible assets were amortised over a useful economic life of two years, representing the average contract length of the customer books acquired.

Software and systems assets relate to investments made in third-party software packages, and directly attributable internal personnel costs in implementing those platforms, as part of the Group's Digital by Default strategy.

The amortisation charge is recognised in operating costs in the income statement.

10. Property, plant and equipment

	Freehold land £'000	Freehold property £'000	Fixtures and fittings £'000	Plant and machinery £'000	Computer equipment £'000	Total £'000
Cost						
At 1 January 2023	150	**3,274**	**342**	**73**	**490**	**4,329**
Additions	**—**	**—**	**94**	227	43	364
At 30 June 2023	**150**	**3,274**	**436**	**300**	**533**	**4,693**
Depreciation						
At 1 January 2023	**—**	**182**	**205**	**—**	**301**	**688**
Charge for the period	**—**	55	51	7	54	167
At 30 June 2023	**—**	**237**	**256**	**7**	**355**	**855**
Net book value at 30 June 2023	**150**	**3,037**	**180**	**293**	**178**	**3,838**
Cost						
At 1 January 2022	150	3,274	337	—	353	4,114
Additions	—	—	—	—	53	53
At 30 June 2022	**150**	**3,274**	**337**	**—**	**406**	**4,167**
Depreciation						
At 1 January 2022	**—**	73	103	—	187	363
Charge for the period	**—**	55	57	—	56	168
At 30 June 2022	**—**	**128**	**160**	**—**	**243**	**531**
Net book value at 30 June 2022	**150**	**3,146**	**177**	**—**	**163**	**3,636**

Plant and machinery additions relate to investment in smart metering assets, which are expected to have an economic life of 15 years.

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11. Right-of-use assets and lease liabilities

	Buildings £'000	Motor Vehicles £'000	Total £'000
Cost			
At 1 January 2023	799	—	799
Additions	1,033	615	1,648
At 30 June 2023	**1,832**	**615**	**2,447**
Amortisation			
At 1 January 2023	686	—	686
Charge for the period	76	152	228
At 30 June 2023	**762**	**152**	**914**
Net book value at 30 June 2023	**1,070**	**463**	**1,533**
Cost			
At 1 January 2022	799	—	799
Additions	—	—	—
At 30 June 2022	**799**	**—**	**799**
Amortisation			
At 1 January 2022	606	—	606
Charge for the period	40	—	40
At 30 June 2022	**646**	**—**	**646**
Net book value at 30 June 2022	**153**	**—**	**153**

The Group has a lease arrangement for its office facilities in Nottingham and Bolton. The Nottingham lease has been extended (on an arms-length basis) during the period, resulting in a £1,033,000 increase in the right-of-use asset.

The Group leases vans for engineers in order to provide smart metering installation services. Due to the increase in engineers and associated vans, a £615,000 additional asset and lease liability is recognised during the period.

12. Stock

	30 June 2023 £'000	30 June 2022 £'000	31 December 2022 £'000
Stocks of goods for resale	**297**	—	345
	297	—	345

Stock relates to smart meters purchased which are expected to be installed on customer sites as part of the Group's objective of installing and financing new smart meters.

13. Trade and other receivables

	30 June 2023 £'000	30 June 2022 £'000	31 December 2022 £'000
Current			
Gross trade receivables	**34,049**	23,320	30,977
Provision for doubtful debts and expected credit loss	**(23,329)**	(13,672)	(19,499)
Net trade receivables	**10,720**	9,648	11,478
Accrued income – net of provision	**17,410**	14,994	31,842
Prepayments	**5,190**	3,854	3,065
Other receivables	**20,474**	4,029	7,954
	53,794	32,525	54,339

Movements in the provision for doubtful debts and expected credit loss in gross trade receivables are as follows:

	30 June 2023 £'000	30 June 2022 £'000	31 December 2022 £'000
Opening balance	**19,499**	6,007	6,007
Provisions recognised less unused amounts reversed	**7,864**	10,813	21,071
Provision utilised in the year	**(4,034)**	(3,148)	(7,579)
Closing balance – provision for doubtful debts and expected credit loss	**23,329**	13,672	19,499

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The directors have assessed the level of provision at 30 June 2023 by reference to the recoverability of customer receivable balances post the period end, and believe the provision carried is appropriate and cautious in view of the context of the wider energy market and economy. The provision for expected credit loss on accrued income is £2,051,000 (30 June 2022: £340,000 and 31 December 2022: £1,830,000).

The total net impairment losses on financial and contract assets of £8,085,000 (H1 2022: £9,614,000 and FY 2022: £21,420,000) consists of £7,864,000 (H1 2022: £10,813,000 and FY 2022: £21,071,000) on trade receivables, and £221,000 (H1 2022: credit of £1,199,000 and FY 2022: charge of £349,000) on accrued income.

The directors consider that the carrying amount of trade and other receivables approximates to their fair value due to their maturities being short term.

Other receivables include amounts paid in relation to the Group's commodity hedging arrangements as cash collateral, and are expected to be recoverable in the short term.

14. Cash and cash equivalents

	30 June 2023 £'000	30 June 2022 £'000	31 December 2022 £'000
Cash at bank and in hand	**36,621**	15,657	18,970
	36,621	15,657	18,970

The cash and cash equivalents balance exclude £500,000 of cash which is included in other receivables, as it is held on deposit and secured under arrangements with the Group's bankers.

15. Trade and other payables

	30 June 2023 £'000	30 June 2022 £'000	31 December 2022 £'000
Current			
Trade payables	**2,448**	3,134	4,636
Accrued expenses	**50,777**	31,783	55,281
Lease liabilities	**327**	109	112
Tax and social security	**8,023**	5,176	5,587
Other payables	**11,495**	8,552	8,244
	73,070	48,754	73,860
Non-current			
Accrued expenses	**5,063**	4,139	158
Lease liabilities	**1,213**	104	48
	6,276	4,243	206

Current accrued expenses at 30 June 2023 include £15,204,000 for the Group's liability to pay Ofgem the Renewable Obligation payment for the scheme period ended 31 March 2023, which was paid in full on 31 August 2023.

Lease liabilities relate to the recognition of right-of-use assets for operating leases in relation to offices and motor vehicles leased.

16. Financial derivative (liability) / asset

	30 June 2023 £'000	30 June 2022 £'000	31 December 2022 £'000
Current			
Financial derivative asset	**—**	5,534	1,484
Financial derivative liability	**(1,049)**	—	—
Non-current			
Financial derivative asset	**—**	1,793	1,562
Financial derivative liability	**(126)**	—	—

The current and non-current financial derivative liability of £1,175,000 (30 June 2022: asset of £7,327,000 and 31 December 2022: asset of £3,046,000) is the fair value of a small proportion of the Group's overall forward gas and power purchase contracts. Such contracts do not meet the strict criteria of being for the Group's "own use" under IFRS 9. They are stated at their Mark to Market fair value (being the excess of the volume of commodity purchased valued at market prices available at the balance sheet date over the traded price of the forward contracts).

The directors consider the potential for tainting of hedges in the Group's contract pricing strategy and balances the overall hedge position through close operational management.

The liability has arisen in the period due to the decrease in forward gas and power market prices and as previous trades delivered in early 2023. The charge for the period is as disclosed in note 5.

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17. Financial instruments and risk management

The Group's principal financial instruments are cash, trade and other receivables, trade and other payables and derivative financial assets.

Derivative instruments, related to the Group's hedging of forward gas and electricity demand, are level 1 financial instruments and are measured at fair value through the statement of profit or loss. Such fair value is measured by reference to quoted prices in active markets for identical assets or liabilities. All derivatives are held at a carrying amount equal to their fair value at the period end.

The Group has exposure to the following risks from its use of financial instruments:

a) commodity hedging and derivative instruments (related to customer demand and market price volatility, and counterparty credit risk);

b) customer credit risk; and

c) liquidity risk.

The Group trades entirely in pounds sterling and therefore it has no foreign currency exchange risk.

(a) Commodity trading and derivative instruments

The Group is exposed to market risk in that changes in the price of electricity and gas may affect the Group's income or liquidity position. The use of derivative financial instruments to hedge customer demand also results in the Group being exposed to risks from significant changes in customer demand (beyond that priced into the contracts), and counterparty credit risk with the trading counterparty.

Commodity and energy prices and customer demand
The Group uses commodity purchase contracts to manage its exposures to fluctuations in gas and electricity commodity prices. The Group's objective is to reduce risk in energy price volatility by entering into back-to-back (to the extent practical) energy contracts with its suppliers and customers, in accordance with a Board approved risk mandate. Commodity purchase contracts are entered into as part of the Group's normal business activities.

The majority of commodity purchase contracts are expected to be delivered entirely to the Group's customers and are therefore classified as "own use" contracts. These instruments do not fall into the scope of IFRS 9 and therefore are not recognised in the financial statements. A proportion of the contracts in the Group's portfolio are expected to be settled net in cash where 100% of the volume hedged is not delivered to the Group's customers and is instead sold back via the commodity settlement process in order to smooth demand on a real-time basis. An assumption is made (based on past experience) of the proportion of the portfolio expected to be settled in this way and these contracts are measured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit and loss.

As far as practical, in accordance with the risk mandate, the Group attempts to match new sales orders (based on estimated energy consumption, assuming normal weather patterns, over the contract term) with corresponding commodity purchase contracts. There is a risk that at any point in time the Group is over or under-hedged. Holding an over or under-hedged position opens the Group up to market risk which may result in either a positive or negative impact on the Group's margin and cash flow, depending on the movement in commodity prices.

Increased volatility of global gas and electricity commodity prices has increased the potential gain or loss for an over or under-hedged portfolio, and the Group continues to closely monitor its customer demand forecast to manage volatility. The Group also applies premia in its pricing of contracts to cover some market volatility (which has proven to be robust despite the market context), and contracts with customers also contain the ability to pass through costs which are incurred as a result of customer demand being materially different to the estimated volume contracted.

The fair value Mark to Market adjustment at 30 June 2023 for those contracts not assumed to be strictly for "own use" is a charge of £4,221,000 (30 June 2022: £3,355,000 gain; and 31 December 2022: £926,000 loss). See note 16 for the corresponding derivative financial liability or asset.

The Group's exposure to commodity price risk according to IFRS 7 is measured by reference to the Group's IFRS 9 commodity contracts. IFRS 7 requires disclosure of a sensitivity analysis for market risks that is intended to illustrate the sensitivity of the Group's financial position and performance to changes in market variables impacting upon the fair values or cash flows associated with the Group's financial instruments.

Therefore, the sensitivity analysis provided below discloses the impact on profit or loss at the balance sheet date assuming that a reasonably possible change in commodity prices (determined based on calculated or implied volatilities where available, or historical data) had occurred and been applied to the risk exposures in place at that date. In view of the volatile nature of commodity markets, the sensitivity analysis is based on a change of up to +/-25% in commodity markets, though additional volatility may be incurred in view of the current, unprecedented, energy market context of volatility.

The sensitivity analysis has been calculated on the basis that the proportion of commodity contracts that are IFRS 9 financial instruments remains consistent with those at that point. Excluded from this analysis are all commodity contracts that are not financial instruments under IFRS 9.

Open market price of forward contracts	Reasonably possible increase/ decrease in variable	**2023 Impact on profit and net assets £'000**	FY 2022 Impact on profit and net assets £'000
UK gas (p/therm)	+/-25%	**312**	831
UK power (£/MWh)	+/-25%	**1,122**	2,227
		1,434	3,058

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In addition to the sensitivity noted above, the estimate of the forward derivative contracts assessed as "own use" results in the financial asset recognised. If the level of own use of such forward contracts was amended by +/-1%, then the financial asset and resulting impact on profit and net assets would be £351,000 (2022: £466,000). Such a sensitivity could occur if, for example, the Group's estimated forecasted demand from customer contracts was impacted by factors such as prolonged abnormal weather patterns, or further unexpected and severe Covid-19 lockdowns. In mitigation, however, demand balancing activities and trading will significantly reduce any potential gain or loss arising from the sensitivity noted above, and the Board approved hedging policy is designed to protect (to the extent possible) the gross margin as sold on each contract. Customer prices also include premia in their pricing to account for certain levels of market risk because of the above in order to reduce the potential for negative impact on Group profitability.

Liquidity risk from commodity trading
The Group's trading arrangements can result in the need to post cash or other collateral to trading counterparties when commodity markets are below the Group's average weighted price contracted forward. A significant reduction (as noted above) in electricity and gas markets could lead to a material cash call from these trading counterparties in the absence of a suitable trading credit limit. Whilst such a cash call would not impact the Group's profit (as it represents a forward credit risk assessment of the counterparty), it would have an impact on the Group's cash reserves.

The structured trading arrangement, entered with SmartestEnergy in December 2019, has reduced this liquidity risk in view of the significant credit limit being provided. This arrangement provides the trading credit limit (secured on the main trading entities of the Group and subject to compliance with certain covenants) and as such reduces the need to lodge cash collateral when commodity markets decrease. The Board has considered the cash flow forecasts, along with the interaction in trading credit limits and the potential need for cash collateral or letter of credit support. The Board also monitors the position in respect of commodity markets and has mitigation plans in place where credit limits are predicted to be exceeded to reduce, where possible, the potential impact on the Group due to short-term cash calls. Where markets fall rapidly and unexpectedly, the cash collateral requirement may be greater than the Group's cash reserves. In extreme circumstances, mitigation may include (prior to security being enacted) reducing the Group's hedged position (reducing liquidity risk in exchange for increased risk to future market increases) through to commercial discussion to waive the requirement to post cash collateral over a short to medium-term period; or the agreement to provide additional remedial action such as holding growth activities.

Trading counterparty credit risk
In mirror opposite to the liquidity risk noted above, the Group carries credit risk to trading counterparties where market prices are above the average weighted price contracted forward. This credit exposure is predominantly with the Group's main trading counterparty. With lower commodity prices, such risk has reduced significantly during the period.

The Board monitors the position in respect of credit exposure with its trading counterparties, and contracts only with major organisations which the Board considers to be robust and of appropriate financial standing.

(*b) Customer or other counterparty credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers (in addition to trading counterparties as noted in section (a) above).

These operational exposures are monitored and managed at Group level. All customers operate in the UK and turnover is made up of a large number of customers each owing relatively small amounts, though increased prices have resulted in greater amounts owed by some customers. New customers have their credit checked using an external credit reference agency prior to being accepted as a customer. The provision of a smart meter is also mandatory for some sales channels.

Credit risk is also managed through the Group's standard business terms, which require all customers to make a monthly payment predominantly by direct debit, and requires security deposits in advance where appropriate. At 30 June 2023 there were no significant concentrations of credit risk. The carrying amount of the financial assets (less the element of VAT and climate change levy ("CCL") included in the invoiced balance, which is recoverable in the event of non-payment by the customer) represents the maximum credit exposure at any point in time.

The Board considers the exposure to debtors based on the status of customers in its internal debt journey, the level of customer engagement in finding an appropriate solution, the customer's creditworthiness, the provision for doubtful debts and expected credit loss held, the level of reclaimable VAT and CCL on the balances, and cash received after the period end.

At 30 June 2023 the Group held a provision against doubtful debts and expected credit loss of £23,329,000 (31 December 2022: £19,499,000) and £2,052,000 (31 December 2022: £1,830,000) against accrued income. The directors consider the provision to be cautious on the basis of recent cash recovery rates, though is maintained in view of the wider economic context.

In relation to trade receivables, after provision and accounting for VAT and CCL reclaimable, the exposure assessed by directors is remains less than 5% of the gross balance. If this exposure was +/-1% of that assessed, the gain or loss arising recognised in the income statement and impacting net assets would be +/-£800,000.

If the expected customer credit loss rate on accrued income was +/-10%, the gain or loss arising would be +/-£205,000.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board is responsible for ensuring that the Group has sufficient liquidity to meet its financial liabilities as they fall due and does so by monitoring cash flow forecasts and budgets.

The Board also monitors the position in respect of the Group's performance against covenants as part of its trading arrangements, to ensure credit limits as part of such transactions are monitored, and any credit cover requirements for other industry participants which are standard in the energy sector. Scenarios of falling commodity markets, including potential to mitigate by reducing the hedges places to avoid significant margin calls for cash collateral, are also considered by the Board. In particular, the Board assess a drop in prices of above 40% from current levels would require some mitigation action.

Any excess cash balances are held in short-term deposit accounts which are either interest or non-interest accounts. At 30 June 2023 the Group had £36,621,000 (30 June 2022: £15,657,000; 31 December 2022: £18,970,000) of cash and bank balances (as per note 14).

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18. Share capital and reserves

Share capital	30 June 2023 Number	30 June 2023 £'000	31 December 2022 Number	31 December 2022 £'000
Allotted and fully paid ordinary shares of £0.005 each	**16,663,118**	**83**	16,649,618	83

The Company has one class of ordinary share which carries no right to fixed income. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

The Group movement in reserves is as per the statement of changes in equity.

Share capital represents the value of all called up, allotted and fully paid shares of the Company. The movement in the period relates to the exercise of share options at an exercise price of £0.09.

The share premium account represents amounts received on the issue of new shares in excess of their nominal value, net of any direct costs of any shares issued. The share premium movement in the period relates to the excess, where appropriate, of the price at which options were exercised during the year over the £0.005 par value of those shares.

The merger reserve was created as part of the 2016 Group reorganisation prior to listing.

Retained earnings comprises the Group's cumulative annual profits and losses.

19. Share based payments

The Group operates a number of share option plans for qualifying employees. Options in the plans are settled in equity in the Company. The options are subject to a vesting schedule, details of which are listed below.

The terms and conditions of the outstanding grants made under the Group's schemes are as follows:

		Exercisable between					
Date of grant	Expected term	Commencement	Lapse	Exercise price	Vesting schedule	**Amount outstanding at 30 June 2023**	Amount outstanding at 31 December 2022
17 February 2016	3	17 February 2019	17 February 2026	£0.09	1	**—**	13,500
22 December 2016	3	22 December 2019	22 December 2026	£3.25	1	**13,500**	13,500
6 April 2017	3	6 April 2020	6 April 2027	£0.005	1	**43,950**	43,950
6 April 2017	6.5	6 April 2020	6 April 2027	£2.844	1	**87,900**	87,900
28 September 2017	6.5	28 September 2020	28 September 2027	£5.825	1	**40,500**	40,500
9 April 2018	6.5	9 April 2021	9 April 2028	£10.38	1	**59,084**	59,084
26 September 2018	6.5	26 September 2021	26 September 2028	£8.665	1	**6,539**	6,539
25 February 2019	6.5	25 February 2022	25 February 2029	£1.09	1	**20,000**	20,000
4 October 2020	3	30 April 2023	4 October 2030	£0.005	3	**210,696**	210,696
4 October 2020	3	30 April 2024	4 October 2030	£0.005	3	**172,388**	172,388
13 May 2022	1	30 April 2023	4 October 2030	£0.005	3	**12,769**	12,769
13 May 2022	2	30 April 2024	4 October 2030	£0.005	3	**25,539**	25,539
1 December 2022	3	1 January 2026	4 October 2030	£0.005	2	**160,323**	179,267
19 December 2022	3.3	30 April 2024	4 October 2030	£0.005	4	**762,000**	837,000
						1,615,188	1,722,632
Weighted average remaining contractual life of options outstanding						**7.5 years**	8.0 years

The following vesting schedules apply:

1. 100% of options vest on the third anniversary of date of grant.
2. 100% of options vest on the third anniversary of the Save As You Earn ("SAYE") savings contract start date.
3. The level of vesting is dependent on a performance condition, being the Group's share price at pre-determined dates.
4. The level of vesting is dependent on a performance condition, being the Group's EBITDA over a qualifying period.

The number and weighted average exercise price of share options were as follows:

	30 June 2023 shares	31 December 2022 shares
Balance at the start of the period	**1,722,632**	1,099,153
Granted	**—**	1,055,364
Forfeited	**(93,944)**	(98,482)
Lapsed	**—**	—
Exercised	**(13,500)**	(333,403)
Balance at the end of the period	**1,615,188**	1,722,632
Vested at the end of the period	**494,938**	284,973
Exercisable at the end of the period	**494,938**	284,973
Weighted average exercise price for:		
Options granted in the period	**—**	£0.393
Options forfeited in the period	**£0.464**	£0.256
Options exercised in the period	**£0.090**	£0.289
Exercise price in the range:		
From	**£0.005**	£0.005
To	**£10.38**	£10.38

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The fair value of each option grant is estimated on the grant date using an appropriate option pricing model. There were no options granted in the period and the assumptions for FY 2022 are as follows:

	30 June 2023	31 December 2022
Dividend yield	**—**	0%
Risk-free rate	**—**	2.1%
Share price volatility	**—**	117%
Expected life (years)	**—**	3 years
Weighted average fair value of options granted during the period	**—**	£3.87

The share price volatility assumption is based on the actual historical share price of the Group since IPO in March 2016.

The total expenses recognised for the year arising from share based payments are as follows:

	30 June 2023 £'000	31 December 2022 £'000
Equity-settled share based payment expense	**471**	210
Cash-settled share based payment expense	**—**	74
Total share based payment charge	**471**	284

Cash-settled share based payment expense in 2022 relates to employer's National Insurance payable on unapproved share options when exercised.

20. Commitments

Capital commitments
The Group has entered into contracts to develop its digital platform as part of the Digital by Default strategy. Such contracts may be terminated with a limited timescale and as such are not disclosed as a capital commitment.

The Group has no other capital commitments at 30 June 2023 (30 June 2022: nil).

Security
The Group entered an arrangement with a commodity trading counterparty, SmartestEnergy Ltd, in December 2019. As part of the arrangement, there is a requirement to meet certain covenants and a fixed and floating charge over the main trading subsidiaries of the Group, Yü Energy Holding Limited and Yü Energy Retail Limited.

Yü Group PLC provides parent company guarantees on behalf of its wholly owned subsidiaries to a small number of industry counterparties as is commonplace for the utilities sector.

Included in other receivables of the Group is an amount of £500,000 held in a separate bank account over which the Group's bankers have a fixed and floating charge.

Contingent liabilities
The Group had no contingent liabilities at 30 June 2023 (2022: £nil).

21. Related parties and related party transactions

The Group has transacted with CPK Investments Limited (an entity owned by Bobby Kalar). CPK Investments Limited owns one of the properties from which the Group operates via a lease to Yü Energy Retail Limited. During the six months to 30 June 2023 the Group paid £65,000 in lease rental and service charges to CPK Investments Limited (30 June 2022: £60,000). There was no amount owing to or from CPK Investments Limited at 30 June 2023 (2022: £nil).

The directors, after taking external advice including from an external independent valuer, reviewed the terms of the lease with CPK Investments Limited for the Nottingham head-office. The Group entered into an agreement in April 2023 to extend the term of the lease and amended certain terms (which remain on an arms-length basis).

All transactions with related parties have been carried out on an arm's length basis.

22. Net cash / (net debt) reconciliation

The net cash / (net debt) in the period was as follows:

	30 June 2023 £'000	30 June 2022 £'000	31 December 2022 £'000
Cash and cash equivalents	**36,621**	**15,657**	18,970
Borrowings	**—**	—	—
Net cash	**36,621**	**15,657**	**18,970**

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The movement in net cash / (net debt) and lease liabilities were as follows:

	Cash £'000	Borrowings £'000	**Sub-total Net Cash £'000**	Leases £'000	**Net Cash less leases £'000**
Balance as at 1 January 2023	**18,970**	**—**	**18,970**	(160)	**18,810**
Cashflows	17,651	—	**17,651**	268	**17,919**
Recognition of leases on acquired right-of-use assets	—	—	**—**	(1,648)	**(1,648)**
Remeasurement of lease liabilities	—	—	**—**	36	**36**
Interest	—	—	**—**	(36)	**(36)**
Balance as at 30 June 2023	**36,621**	**—**	**36,621**	**(1,540)**	**35,081**

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