YÜ GROUP PLC

BIGGER BETTER FASTER STRONGER

TRANSFORMING BUSINESS UTILITY SUPPLY

YÜ GROUP PLC

Annual report and financial statements 2020

OUTPERFORMING EXPECTATIONS BY ACCELERATING GROWTH

Providing a fresh approach to the supply of gas, electricity and water to the UK business sector.

Yü Group PLC deploys innovation and technology to make it easier, cheaper, quicker and simpler than ever for SMEs to sign up and manage all their utilities in one place, whenever and wherever they are.

We pioneer change in the business utility market, streamlining processes, transforming customer service and reducing cost.

We create new revenue streams and routes to market, making it effortless for trusted third parties to set up as a reseller of Yü Energy services.

We deliver frictionless switching and sustainable, multi-utility management for UK businesses, wherever and whenever they want.

The systems we have developed, the expertise we have across our teams and the market opportunity available provide the strong foundation for rapid scale.

Driving the sustainability of UK SMEs through 100% green energy plans and energy insight allowing them to reduce their carbon footprint.

“THE GROUP SETS A COURSE FOR STRONG AND SUSTAINED PERFORMANCE AS IT BEGINS TO DEMONSTRATE ITS FULL GROWTH POTENTIAL.”

Read more at **yugroupplc.com**

BUSINESS REVIEW

FINANCIAL HIGHLIGHTS

- Revenue of £101.5m (2019: £111.6m), ahead of market expectations.
- Strong adjusted EBITDA momentum, despite H1 2020 headwinds, and significantly above market expectations:
  - Adjusted EBITDA loss for the year of £1.7m, after £1.8m loss in H1 which included significant impact from Covid-19.
  - Adjusted EBITDA profit for H2 2020 of £0.1m, with a strong start to Q1 2021.
- Loss for the year (after tax) of £1.2m, significantly ahead of market expectations (2019: loss of £5.0m).
- Very strong cash performance. Cash held of £11.7m at 31 December 2020 (2019: £2.4m), with 99% of operational bill to cash conversion.

STRATEGIC AND OPERATIONAL HIGHLIGHTS

- Good revenue visibility with £93m contracted for FY 2021, an increase of 16% on prior year (2019: £80m contracted for FY 2020).
- Accelerating performance to deliver an ambitious organic growth rate:
  - Average monthly bookings nearly doubled year-on year to £8.3m (2019: £4.2m).
  - Average contract term booked increased to 24 months (2019: 22 months).
- Scalable platform fully tested, with successful onboarding of two profitable acquisitions during H2 2020.
- Resilient customer volumes and profitability in H2 2020, with demand pick-up from the initial shock event of the first lockdown.

POSITIONING FOR THE FUTURE

- High revenue momentum in to 2021 from strong H2 2020 sequential revenue growth of 22% and record H2 monthly bookings of £10.3m (up 62% on H1). New digital sales portal performing well.
- Targeting continued lengthening of average contract term to strengthen contracted revenue, increased renewal rates and more products per customer.
- Significant improvement in net customer contribution expected as legacy contracts have now washed through.
- Efficiency initiatives underway to reduce overheads from 6.2% of revenue over medium term.
- Sound balance sheet (cash £11.7m) with scope to add further value creating acquisitions now scalable platform fully tested.

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BIGGER

- Doubled meter points in 2020
- 2x customer book acquisitions
- On track to grow the business significantly in 2021

BETTER

- Stronger momentum in profitability
- Increased value delivered from contracts
- Delivering efficiency through digital transformation

FASTER

- Launched online portal delivering £21m of bookings in H2 2020
- "Digital first" strategy supported by new Transformation Director
- Agile with a new digital platform for growth

STRONGER

- Outperformed expectations during pandemic
- A robust and resilient business model scalable for growth
- Highly vested management team

A DISRUPTIVE, FORWARD-LOOKING AND HIGHLY SCALABLE BUSINESS UTILITY SUPPLIER

Driving innovation in business utility supply

Yü Group PLC is driving innovation in energy and utility supply solutions for UK businesses, through a combination of user-friendly digital solutions and personalised, high quality customer service.

Trading under the brand Yü Energy, our multi-utility offer spans electricity, gas, water and other solutions for business customers across the UK. We are committed to providing sustainable energy solutions to our customers, including the option to source 100% clean energy as part of our Pure Green plan.

Significant market opportunity

Our multi-utility offering and excellent customer service are focused on making it easier for businesses to manage their utilities. We are a direct supplier, not a broker, employing a range of routes to market in order to drive scale. We serve primarily small and medium-sized businesses across the UK – a £35bn addressable market offering significant scope for growth.

Strong systems and an experienced team

In the six years since the Group was founded, we have grown rapidly and we now supply energy to thousands of sites across the UK, using robust, scalable systems and automated processes to ensure ease of use for our customers. Our experienced management team has significant energy sector expertise and a deep understanding of the utility needs of modern-day businesses.

Clear strategy for growth

We are an agile business, with scalable technology and expertise to rapidly test and roll out new routes to market, plus product innovation to drive scale and differentiation, capitalising on the opportunities in the evolving business utility market.

The Group has a clear strategy to deliver sustainable profitable growth and value for all of our stakeholders.

WHAT MAKES US DIFFERENT?

YÜTILITY SIMPLICITY
Unique multi-utility offer.

SUSTAINABLE SOLUTIONS
Pure green energy supply, energy insight and EV charging solutions for customers and serving our communities and people.

CUSTOMER SERVICE
Three-ring pick-up and easy to deal with.

OUR CUSTOMERS
Targeting disengaged SMEs who want to be treated fairly.

INNOVATION/DIGITAL
Partner portal for easy access plus digital solutions to engage with future customers.

FLEXIBILITY
Bespoke systems, flexible approach, speed of turnaround and agility.

OUR SOLUTIONS

We supply businesses across the UK – a £35bn market offering massive scope for growth.

WE SERVE

- **Small and medium-sized businesses**
- **Multi-site complex corporates**
- **Third-party intermediaries**
- **Other partners**

Online
Inbound
Outbound

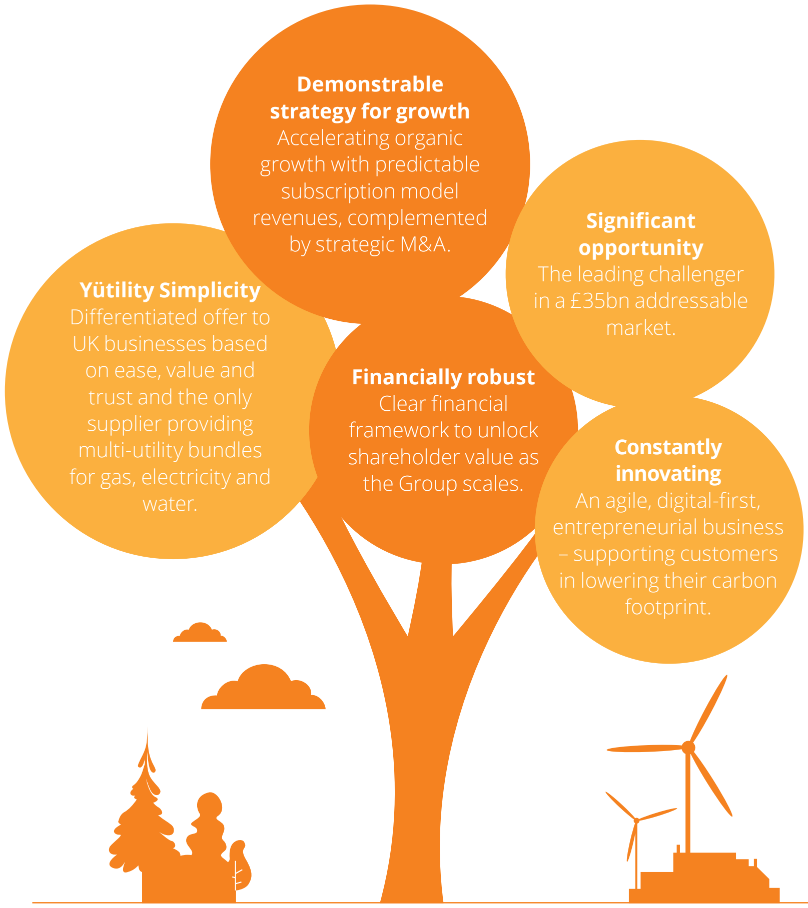
GAS, ELECTRICITY AND WATER SUPPLY

We are a licensed supplier of gas, electricity and water, offering great value, customer service and easy access.

Up to three years' fixed prices
Green products
Multi-fuel savings

See detail on the Group's strategic priorities on **page 16**

The Group's business model is described on **page 14**



Expert and vested management team
Capable of taking the business to meet its £0.5bn+ revenue ambition.

Cash efficient and well capitalised
A strong balance sheet, good cash generation and favourable commodity trading arrangements.

Strong systems and governance
A scalable digital platform to deliver operational cost efficiency and support growth.

OUR CUSTOMERS

We tailor our approach to target sectors and supply a wide range of markets, from manufacturing facilities to care homes, offices to schools and many more.

17,425
meter points on supply

+100%
during 2020

EV CHARGE POINTS

We offer electric vehicle charge points to businesses, with a range of options to suit different business needs.

EV charging and supply

ENERGY EFFICIENCY

We offer energy insight and advice to help our customers reduce their energy consumption, to save costs and carbon emissions.

Energy data insight

METER INSTALLATIONS

We provide meter installations to connect properties under construction to a new utility supply, or to change the utility configuration in an existing building.

New connections

Smart meters

A ROBUST AND RESILIENT PERFORMANCE

Robin Paynter Bryant
Chairman

Resilience, growth and agility driven by breadth and depth of expertise, a reinvigorated Board and strengthened management team.

Introduction

I am delighted to provide my second statement to shareholders after what has been a pivotal, positive and highly constructive year for the Group.

Since I joined the Board in January 2020 the world has been much altered by a global pandemic. This continues to present evolving challenges in the macro-environment within which we and our customers' businesses operate. The Board's ethos remains one of regarding challenging market conditions as providing opportunities both to test the mettle in the Group's positive momentum, and to leverage its now strengthened overall position.

New ways of working, improved systems and streamlined processes have been stress-tested in the real world and have proved both robust and scalable. Despite the pandemic these have resulted in a c.60% reduction in year-on-year losses to an adjusted EBITDA position of -£1.7m together with a strong bookings performance and blended contract margins which have greatly improved by 2.7% to 7.6%. Bad debt has been contained at 3.1%. In a clear demonstration of both intent and capability, last year the Group made and integrated two immediately earnings-enhancing acquisitions of competitors' books. The Group generated operating cash flow of £12.1m and remains largely debt free. We are now poised to significantly accelerate the realisation of our ambitions for scaled and sustainable growth.

Robustly balanced decision-making processes and a clear and effective Board relationship with the Executive Committee have enabled agile leadership and the swift implementation of agreed strategies.

Given the wider socio-economic context, a small profit in H2 2020 was most encouraging at this stage of our evolution. Perhaps more notable has been the establishment of a clear trajectory, evidenced by much-improved results, as legacy lower margin contracts were put behind us. This trajectory is the result of significant and sustained efforts made by all of my colleagues throughout the Group.

In further and additional preparation for entering our scaling-up phase, the Group has changed its nominated adviser and broker and appointed new external corporate and financial communications advisers.

I joined an ambitious and growing business and the team and I are delighted to have entered the next growth phase for the Group in which we accelerate our clear potential to generate further growth and sustainable profitability.

Momentum built on significant improvements and maintained differentiation

Your Board, in accordance with modern corporate governance practice, is now well balanced and comprises three independent non-executive directors and two executive directors. An effective blend of key skills across industry knowledge, M&A, digitalisation and effective corporate and financial governance is now being advantageously harnessed.

Inter alia, the Board's focus has been on: mapping its ambitious objectives to a clearly defined and effective set of timelined implementable strategies; evolving and maintaining the clarity of efficient and appropriate management structures; embedding "joined-up" risk assurance and corporate governance within a judiciously defined risk/opportunity appetite. The Board has been fully engaged in supporting and mentoring the Group's high calibre Executive Management Team to enable us to achieve our position as the growing principal disruptor and the leading "challenger" business in the sector.

Key elements of the differentiation within the Group continue to be: its nimble and entrepreneurial approach, its rigorous customer-centricity and a constant "can-do" willingness to either do things better or differently. A principal tenet of the Board has been to seek to balance and maintain this agility whilst ensuring the maturity of governance that is required to support the business as it accelerates in its "scale-up", not least in its continuing adoption of a vital "digital-first" approach.

Following on from last year's statement I am pleased to report that the integration of the organisational and management structures of the Board and the Executive Management Team, down through the organisation as a whole is now well-embedded and efficiently providing the framework for continued out-performance.

A high-functioning, driven and effective Executive Committee ("ExCo") is in place and is actively pursuing its mandated growth opportunities whilst improving processes and systems to contain general overheads. These remain largely unchanged at 6.2% of sales. The team has highly experienced and motivated individuals in place and, importantly, the Group having thoroughly reviewed its retention policies continues to attract and retain top-quality and value-enhancing talent, at all levels, into its ranks.

YÜTILITY SIMPLICITY

MANAGING THE BUSINESS THROUGH THE COVID-19 PANDEMIC

A RESILIENT BUSINESS MODEL

The global impact of Covid-19 has been unprecedented in modern times. The Group, its employees, customers and other stakeholders have all, to some extent, been impacted by the pandemic.

Initial priorities were to ensure continued adherence to Government guidelines to prioritise the safety of employees, whilst successfully mobilising the Group's business continuity plan.

The organisation's ability to increase productivity, despite the difficult environment, have been a testament to the professionalism and maturity demonstrated by our teams.

Systems and processes have performed robustly and the Group is confident of its ability to withstand future lockdowns and to adjust to a new normal.

Detailed risk modelling and sensitivity analysis in the early stages of the pandemic resulted in risk mandates and operational processes being adjusted in a timely fashion, and implemented at pace. This has contributed to much of the impact of Covid-19 being mitigated during H2 2020.

Customers in high risk sectors, such as retail and hospitality/leisure, have been supported wherever possible – and our cash collection performance suggests limited issues to date. That said, the Board continues to monitor the situation and has taken the prudent decision to increase, in 2020, provisions for expected credit loss and bad debt.

The main financial impact for the Group has been the "shock" lockdown during April and May 2020. The lockdown led to customer demand falling by close to 40% of normal levels combined with a significant price drop in global commodity markets. This resulted in a loss on energy over-purchased during H1 2020. There were also additional costs to balance the national energy network which were passed to energy suppliers during this period, which led to a "perfect storm" and resulted in exceptional costs in H1 2020.

On balance, colleagues and systems have been resilient to the impact of Covid-19, though the Board, as with the rest of the world, continues to closely monitor the situation in the hope of a return to a more normalised backdrop.

90%
the estimated volume of customer demand in H2 2020, compared to the position pre-Covid-19

£1.8m
loss in H1 2020, as shock of first lockdown hit

SUPPORTING OUR CUSTOMERS

Throughout the Covid-19 crisis we have provided support and advice for businesses, covering energy and broader business management topics. Via our website, social media and email we have signposted the Government support available to businesses and provided advice on managing energy efficiency during lockdown. We developed partnerships to enable access to independent financial advice and introduced new energy plans designed to support businesses with the challenges they face during these uncertain times.

At the start of the pandemic we quickly responded to issue communications to customers to reassure them and advise them of the actions they should take to ensure the continued smooth-running of their energy account. Our website featured FAQs and advice articles covering subjects such as payment advice, meter readings, energy efficiency and Government financial support, with advice on who to contact for further assistance.

We developed two new energy plans, Agile and Assist, specifically designed to meet the needs of businesses during Covid-19 and partnered with a financial adviser to provide advice on the support available to businesses during Covid-19, underpinned by a digital marketing campaign.

Throughout this challenging period, our commitment to supporting our customers has ensured high service levels and customer satisfaction.

3,500
customer views of our Covid-19 website support pages

71,000
views of Agile and Assist product landing pages

15,000
customer support communications during first four weeks of the first lockdown

Momentum built on significant improvements and maintained differentiation continued

The resilience of our systems and processes has been tested and proven, not least by the completed acquisitions of two of our competitors' customer books during H2 2020. These books were speedily and seamlessly integrated into the Group's scalable platform. Both acquisitions had very short investment payback periods and were immediately earnings enhancing. The Board has therefore a confirmed and evidenced confidence in the ability of the Group to continue to scale, over the short to medium term, both organically and by acquisition.

In keeping with last year's statement of intent to enhance and improve our communications with the market and our investors, we have appointed a new nominated adviser and broker and new corporate and financial communications advisers in order to complement our excellent in-house capabilities. These moves are part of a programme to widen and deepen the Group's relationships with our investor, banking and commercial audiences. We are seeking to create a more engaged environment for our partners and stakeholders in order to accelerate the meeting of our objectives for further automation, digitalisation and scaling-up.

Implementation of risk assured governance without loss of agility or opportunity

The benefits of having undergone a transformation in our governance have included the adoption of a detailed, sophisticated and robust approach to the identification, setting and management of judiciously defined risk appetites. Top-to-bottom line of sight governance from risk assurance to strategic objectives-underpinned by "joined-up" internal processes- within a defined risk management framework, are now embedded. These are evidenced by regular and frequent standing "intra-group" reviews at every level of the business. These include a regular and dedicated ExCo-led risk assurance forum. This, mentored and supported by the independent non-executive directors of the Audit Committee, is mindful that the essential speed and agility required of a challenger business remain uncompromised.

The AIM investigation into the self-identified matters which arose in 2018 was satisfactorily closed during 2020.

An ambitious and balanced strategy

Having achieved upward momentum in our performance, the Board is now focused on the next phase of the Group's evolution.

The Group's strategic priorities span: delivering organic growth supplemented by value-enhancing non-organic opportunities; driving cash and profitability as outlined in our financial framework; utilising digital technologies and innovation to assist in growth and improve cost efficiency; and maintaining and evolving the strong foundations of good governance and robust risk management.

Now entering a significant scale-up phase with good momentum

The Covid-19 pandemic has clearly tested many businesses across the world. In their mature response to the pandemic our staff, throughout the organisation, have demonstrated great dedication and fortitude. I sincerely thank them all for their clear focus on prioritising adherence to Government guidelines whilst managing these risks and continuing to deliver an unparalleled level of service to our valued customers.

The Group is in a sound overall position, is largely debt free and with many positive key indicators. Adjusted EBITDA losses have been reduced by 60%, gross margins improved from 4.9% to 7.6%, general overhead costs are contained at 6.2%, and newly developed portal sales have contributed to a record H2 2020 performance, of £10.3m in average monthly bookings.

With people, systems and networks now in place your Board is highly confident in scaling the Group up to the next order of magnitude within our sector.

In short, the Group is now ready to launch a period of sustainable growth as it scales up to address and increase its rightful share of a £35bn market.

Robin Paynter Bryant
Chairman
30 March 2021

> "WE ARE NOW ENTERING A SIGNIFICANT SCALE-UP PHASE WITH GOOD MOMENTUM."

ACQUISITION: POWERING BRISTOL

During H2 2020, the Group acquired and successfully integrated two customer books from competitors, one such book being the acquisition of Bristol Energy's business portfolio. The Board expects further market consolidation and will look to integrate other customer books, in tandem with strong organic growth, where such acquisitions enhance shareholder value.

Overview

In August the Group completed the acquisition of the B2B customer book from Bristol Energy Limited, a wholly owned subsidiary of Bristol City Council.

The acquisition added c.4,000 meter points to Yü Group's meter portfolio, an increase of c.40% to the Group's meter base at the time.

The B2B book consisted of a broad range of gas and electricity supply contracts running for up to three years, servicing a range of public sector and business customers. The acquisition did not include Bristol Energy's forward commodity purchases. As part of the acquisition a small number of industry specialists transferred to the Group to fill existing vacancies.

Rationale

The acquisition has enabled the Group to enhance gross margin and generate economies of scale through:

- increasing the product range offered to customers utilising the Group's sophisticated CRM system;
- using the Group's scalable technology platform to leverage overheads across a larger portfolio of contracts;
- enhancing trading capabilities on the increased volumes of energy to forward hedge; and
- the ability for the Group to hedge customer volume on the acquired contracts on lower forward commodity market prices than those assumed in the prices of contracts acquired.

Strong growth opportunities

The acquisition is expected to deliver strong growth opportunities, with an anticipated contribution to revenue of approximately £10m over the initial 16 months ending 31 December 2021. Contracts are expected to contribute beyond 2021 at c.£4.5m revenue per year.

The transaction has allowed the Group to assimilate an attractive sectorial customer base within our accelerating organic portfolio and to increase value by offering and cross-selling additional products and services. This acquisition is a part of our strategic growth plan to leverage our disciplined processes and scalable technology platform. It evidences the Group's ability and appetite to scale.

Outcome

Following the acquisition, a quick and seamless transition was completed, with all customer contracts being transferred onto the Group's systems within 24 hours.

Acquisition performance update

Integration: The acquisition was quickly and efficiently integrated within the Group's scalable platform. Limited incremental overhead enabled an enhanced return on investment.

Results: The Group acquired net assets of £1.3m. These consisted of £0.6m for a forward customer book, plus customer receivables balances of £1.2m, less the recognition of a £0.6m industry liability payment which is payable in August 2021. The £1.2m customer receivable balances were largely collected within four weeks of the completion of the acquisition, ensuring a very short acquisition cost payback.

Renewals: The Group successfully concluded the renewal of the Bristol City Council energy supply contract in December 2020. Being powered by 100% renewable energy was critical to the council's ESG policies. Our Pure Green plan ensured we were able to offer and deliver on this requirement and was a key factor in securing a contract renewal. The flexibility in our billing platform has allowed us to deliver on the bespoke requirements of public sector bodies such as Bristol City Council. As a result we are now on the DPS platform, allowing access to further business opportunities with high credit-quality public sector entities.

Proven template for future opportunities

The successful acquisition evidences the Group's ability to unlock the benefits of scale and fashioned a proven template for potential further, value-accretive, acquisitions.

c.4,000 in 24 hours

4,000 sites successfully migrated to our scalable platform within 24 hours

Cash positive

prompt cash and profit generation

Strong renewals

72% of sites due for renewal secured by 28 February 2021

EMERGING STRONGLY FROM AN EXTRAORDINARY YEAR

Bobby Kalar
Chief Executive Officer

A defining year underscoring the strength, maturity and momentum of our business.

I'm particularly pleased with the strength, maturity and focus the team have shown throughout the year. An incredibly strong performance, in extraordinary economic circumstances, is a testament to the hard work of the past few years, and I know this will continue to benefit the Group as it continues to scale over the coming years.

I have spoken passionately in previous statements about the errors of the past and the need to reset and strengthen the business: about tightening processes and controls, having stricter corporate governance in place and closing gaps and cracks to stop gross margin leakage throughout the customer lifecycle. In summary, realigning the business for strong, sustained and profitable growth, the results in these annual accounts show that we have achieved this difficult but necessary result. This reset period is now firmly behind us and I'm pleased and relieved to be able to draw a line under that period of our business journey.

Our focus is now firmly on scaling the business (bigger, better, faster, stronger) using our unique position to leverage partnerships and other relationships to accelerate growth whilst enhancing shareholder confidence.

Strong management team and organisational support

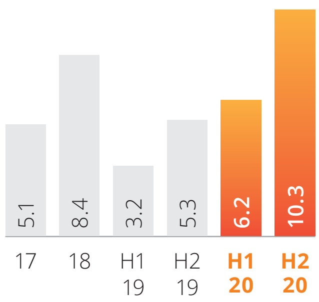
In the first quarter of 2020 the Group announced the appointment of a new Chairman and a senior independent director creating a Board composition of three independent non-executives and two executive directors. Whilst the Board has only been physically able to meet once before lockdown, I'm pleased with the blend of support and challenge we've established during subsequent "Teams" Board meetings. It was never going to be easy establishing a new Board during this period, but the support and contribution of each Board member has helped position the business for growth.

The Executive Committee ("ExCo") has been simplified, streamlined and strengthened. Its primary role is to deliver the Board's strategy and implement the business plan, whilst managing communication from the Board to the wider business and vice versa. Each member chairs and hosts specific monthly business forums such as sales and marketing, debt and commercial, people, risk and digital transformation. KPIs and targets set in the business plan are validated, tracked, measured and monitored in these forums. This level of analysis gives the Board confidence that the business is collectively delivering in accordance with the business plan. This strategy has been the single biggest factor in both our performance in 2020 and the heightened confidence the Board has in its ambition for sustainable profitable growth.

I am confident the Executive Committee is adequately supported, vested and incentivised to achieve targets set for 2021 and beyond. We are experts in the B2B utilities market, and I expect to leverage our position to target complementary opportunities.

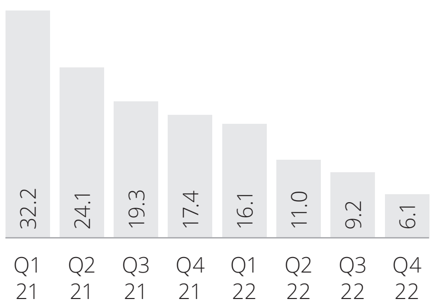
MONTHLY AVERAGE BOOKINGS

(£m)



CONTRACTED REVENUE

(£m)



Bigger (high growth)

The investment in our sales strategy has delivered very impressive results and set the bar for subsequent years. We have made some tough decisions to end relations with some channel partners in favour of more specialised partners which are able to better pinpoint our target market both demographically and segmentally. Additionally, our digital channel launched in Q1 2020 has exceeded expectations producing annualised bookings of over £21m in H2.

Read more about our KPIs on page 18 and financial framework on page 23

"FROM THE HARD YARDS, I SEE GOOD TIMES AHEAD."

Overall new booked business has outperformed expectations, more so given the added pressure of Covid-19 and the effect on British businesses. Our monthly run rate in 2020 averaged £8.2m with H1 averaging £6.2m and H2 averaging £10.3m. The management team has remained disciplined in targeting only good quality, good margin contracts and with legacy low margin contracts now behind us we are seeing improved gross margins being realised in the business. The Group aims to at least maintain these margins in forward years. Further, the Group will now target a retention rate of 70%.

In addition to strong organic growth, the Group successfully completed two competitor book acquisitions in H2 2020. The combined books account for around 4,500 meters including Bristol City Council and form part of the Group's strategic growth plans. The acquisitions were immediately cash generative with no noticeable additional cost to serve. I'm pleased to have demonstrated the Group's appetite and ability to seamlessly migrate these meters into our scalable operating platform over the course of a weekend. We now have a proven template for deals and are confident our operating model is robust. We are actively looking to complement our accelerating organic portfolio with strategic acquisitions as the utilities market further consolidates.

Better (more profitable)

It's relatively simple and easy to quickly grow a B2B supply business by selling supply contracts to a vast addressable market. The Group reported that it had tendered a combined £2.5bn of available supply contracts in 2020. A modest additional 10% of tendered business being secured would have seen booked revenue of £250m generated, increasing bookings by a further 125% to that achieved in 2020.

The fact is being able to "attract, contract and extract" good quality, good gross margin business that will complete the lifecycle journey from "booking through to cash" without margin leakage and take additional products during their term, and remain "sticky" for a further term, is in fact very difficult. It's often tempting to compromise quality for quantity in a market where scale is important. The "hard yards" have paid off for the Group and we've developed strong expertise in successfully and selectively being able to "attract" and "contract" business that completes the lifecycle journey and "extract" profit. The Group will remain resolutely focused and disciplined in maintaining this strategy and is confident that the result will contribute positively to our EBITDA.

Our systems now allow us to track the position of any contract in our portfolio and pinpoint whether it is contributing positively or negatively to the target profit. Such granularity and speed is a game changer in our business and having removed significant gaps and cracks in the business we've created a well-oiled organisation. I'm pleased that the results speak for themselves.

Faster (digital first)

Having complete confidence around the strength of the business, the Group will now focus on making the customer journey (from tender through to cash) faster, through a digital-first strategy.

I've spoken previously about the Group's desire to automate and digitalise our front facing and back office business processes.

MERGERS AND ACQUISITIONS

In addition to the accelerating organic growth being achieved, the Group aims to take advantage of its scalable platform and strong balance sheet by the acquisition of competitor customer books. The rationale is simple: the higher growth achieved by the Group, the more economies of scale that can be achieved, and the more potential for commercial value added by offering customers a new experience.

The Group constantly reviews the competitor landscape on a proactive basis to identify potential targets. There are c.20 smaller suppliers in the B2B market, and some suppliers of similar or larger scale to the Group. Where opportunities for bolt-on acquisitions are noted, analysis is performed based on robust criteria covering: the customer segmentation and fit of the portfolio with the Group's own risk appetite, systems and platforms; the ease of integration; the position on commodity trading; and (of course) the commercial value that can be achieved.

The Group successfully acquired and integrated two customer books during H2 2020. These acquisitions were structured as a purchase of a forward contract book plus the discounted purchase of customer receivables balances (having considered bad debts and risks). The Group assessed other opportunities which were not progressed due to a lack of strategic fit.

The Board will continually monitor the situation for bolt-on acquisitions to complement the strong organic growth ambition of the Group.

Faster (digital first) continued

Although we've already made great strides, the Group emphasis is on delivering its digital strategy in 2021 for benefit in 2022.

The recruitment of Jason Prothero as Commercial and Digital Transformation Director earlier this month shows clear intent in the Group's appetite to embrace innovation through technology. Having established strong foundations, automating and digitally transforming the business will allow us to optimise the business by removing costs and manual processes, whilst also providing a better customer experience.

The Group sees automation and digitalisation as an opportunity to further disrupt the market, and to scale more quickly and predictably. It will also enable efficiencies in cost to serve and cost to acquire, enabling bottom line profitability to be increased further as the Group scales.

Stronger (robust and resilient)

If ever there was an ideal opportunity to stress-test the strength of a business, then Covid-19 provided it. We successfully transitioned our workforce to remote working before lockdown with no disruption to the levels of customer service or business operations as we launched our business continuity plan.

Q1 2020

With a newly formed Board, and after the work to reset the Group, the business started 2020 in a strong position with significant optimism.

Q2 2020

April saw usage volumes impacted directly because of lockdown as our customers used 35% less energy than they expected in a normal April period. During Q2 the business did not see levels of customer debt increase as previously modelled and our strong billing performance meant we were able to collect payments for the energy used. New sales bookings remained strong and continued to grow month on month. The impact of the reduced levels of volume usage in Q2 meant that not only did our customers use less energy but we also had to sell the excess energy back to the grid at a lower price than originally purchased due to commodity market movements.

The EBITDA impact to the business due to Covid-19 was the predominant driver of the £1.8m loss incurred in H1. Excluding the impact of the first, shock, lockdown, I'm confident our business was set to meet its previous objectives of returning to break-even position during H1.

Q3 2020

As the UK came out of lockdown and businesses began to find new ways of operating, customer volume levels increased to 90% of pre-Covid-19 levels and pleasingly sales momentum continued into Q3 with July recording a record bookings month of £13.3m. Very strong billing and cash collection performance continued, with the business seeing 99.5% of monthly billed revenue collected and tight controls maintained around customer debt management. During the period the Group successfully onboarded c. 4,000 meter points onto its operating platform. This was the Group's first acquisition and a test case for further such opportunities. An excellent team effort and a determination to immediately enhance value saw the business manage the full migration process quickly and seamlessly.

Q4 2020

The announcement that from the 5 November the UK would go into its second lockdown echoed fears that customer volume usage would be impacted as in Q2. More businesses that had managed to survive thus far may not financially survive a second lockdown and the net effect on our business could be worse than before. However, apart from a slight dip in volume in November the business felt little impact in this second lockdown and by December customer volume usage had increased to 93%. All other KPIs trended in line with Q3.

Summary

It certainly has been a year of four quarters and each quarter has brought new challenges which we have successfully overcome. We enter the new financial year in a strong position and with excitement. In summary:

- We have a strong balance sheet even after purchasing two customer books.
- Our sales strategy has worked well with good margin business being booked and with all legacy contracts behind us. I see the sales momentum and discipline continuing to drive performance and deliver profits.
- Strengthening our billing and cash collection performance has had an immediate positive impact on intra-month cash collected. Combined this year we have collected 99% of what we have billed in the year. For 2021, we expect to see a similar performance.
- Customer receivables have been closely monitored throughout the year, and our overdue balance performance remains strong at eight days.

OUR VALUES

Customers
We are passionate about our customers and strive to meet or exceed their expectations on every experience.

Innovation
We use our imagination to drive innovation through a continuous learning mindset.

Teamwork
We work together seamlessly, across boundaries, to meet the needs of our customers and to help our Company win.

Integrity
We are trusted and accountable to uphold the highest standards of integrity in all of our actions.

- A strengthened and much improved Board and Executive Committee is ready to take the business to half a billion of revenue.
- We are an entrepreneurial, agile and ambitious business with the strong foundations on which to scale.

Finally, I'd like to extend my heartfelt gratitude to the whole team who have helped and supported the Group by playing an integral part of delivering a defining year.

Outlook

I am extremely pleased to report that the new financial year has started strongly building on our very strong 2020 performance. As we entered 2021 contracted revenue was already over 90% of the revenue recorded in FY 2020. We will continue to build as we add new sales bookings through acquisition of new customers and via renewal and cross-sell to existing customers.

Average monthly bookings during Q1 2021 are performing ahead of 2020 following a very strong H2 2020 where monthly bookings averaged £10.3m. Bookings represent an annualised value of contracts, and typically our contracts are offered over a one, two or three-year term leading to additional forward revenue being secured with our average contract term increasing from 22 months in 2019 to 24 months in 2020 with further improvements targeted for FY21.

Renewal rates of 60% are also targeted to increase to over 70%; and the average number of products enjoyed by each customer is expected to expand.

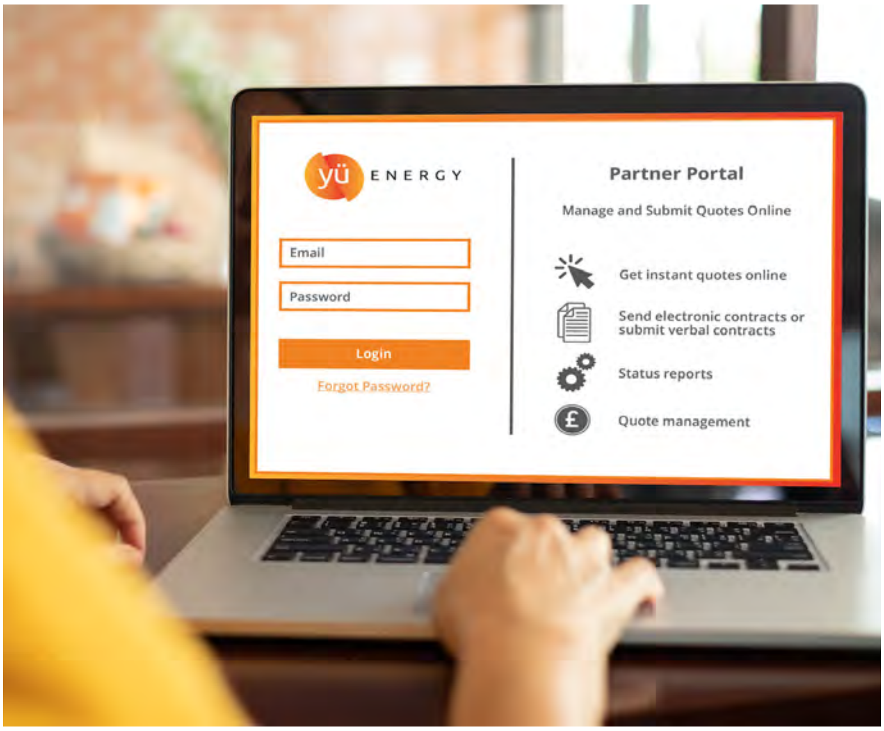
As a result of this accelerating organic growth performance we expect revenue in FY 2021 to be significantly above the £101.5m delivered in FY 2020; and ahead of market expectations. We also expect adjusted EBITDA to be significantly ahead of market expectations for 2021.

Our confidence is based on the high-quality, profitable and growing contract book in place; the impact of H2 2020 acquisitions to flow into 2021; and a strong emphasis on control of overheads using digital technology as the Group embarks on its rapid scale phase.

PARTNER PORTAL

Our digital partner portal has been the Group's fastest growing sales channel in 2020, providing an efficient and low cost way to access large numbers of disengaged SMEs.

£21m
annualised bookings delivered in H2 2020 via new digital channels



In addition, management continue to review the potential for earnings enhancing acquisitions of competitors' customer books. These would provide further significant value increasing our scale and providing benefits via our platform, whilst unlocking significant cross-sell opportunities. I believe these opportunities will arise over the short to medium term, as the market looks to consolidate.

Bobby Kalar
Chief Executive Officer
30 March 2021

"THE BUSINESS IS PRIMED AND READY FOR PROFITABLE GROWTH."

Read more on our business model on page 14 and strategy on page 16

DISRUPTING A SIGNIFICANT MARKET

MULTI-SECTOR AND MULTI-CHANNEL APPROACH

We are determined to transform the business utility market, continuously innovating to deliver Yütility Simplicity. As a supplier of essential services our offering is fundamental for the successful operation of all businesses across the UK. As such, the Group is largely "sector agnostic" – allowing a risk based approach.

The Group currently supplies around 17,500 of 1.7 million business gas and electricity meter points in the UK with a market share of approximately 0.4% of the business-to-business supply market. Consequently, there is enormous opportunity for growth.

1. SMALL AND MEDIUM-SIZED BUSINESSES

Engaging directly with small, medium and multi-site businesses

We continue to focus on our target market of the 810,000 businesses which engage directly with energy suppliers and the 635,000 businesses which have not switched their business energy supplier.

During the Covid-19 pandemic, an agile, digital approach has become more important than ever. Using digital tools and innovative solutions, we overcome three barriers for these customers: trust, hassle and cost. We help businesses drive cost and time efficiency via a combination of great service, simple straightforward communication and utilities all under one roof.

DIGITAL MARKETING:

The Group has been able to target disengaged SME businesses via digital marketing channels to position itself as an expert in the sector. Our Energy Health Check campaign targeted small businesses via social media and digital PR, encouraging them to engage with us via a digital tool. This helped to build up a database of SME business contacts. Our agile approach allowed us to quickly respond to changing customer needs during the Covid-19 pandemic. Digital campaigns to market energy products and financial support to SMEs resulted in a 169% increase in website traffic for 2020.

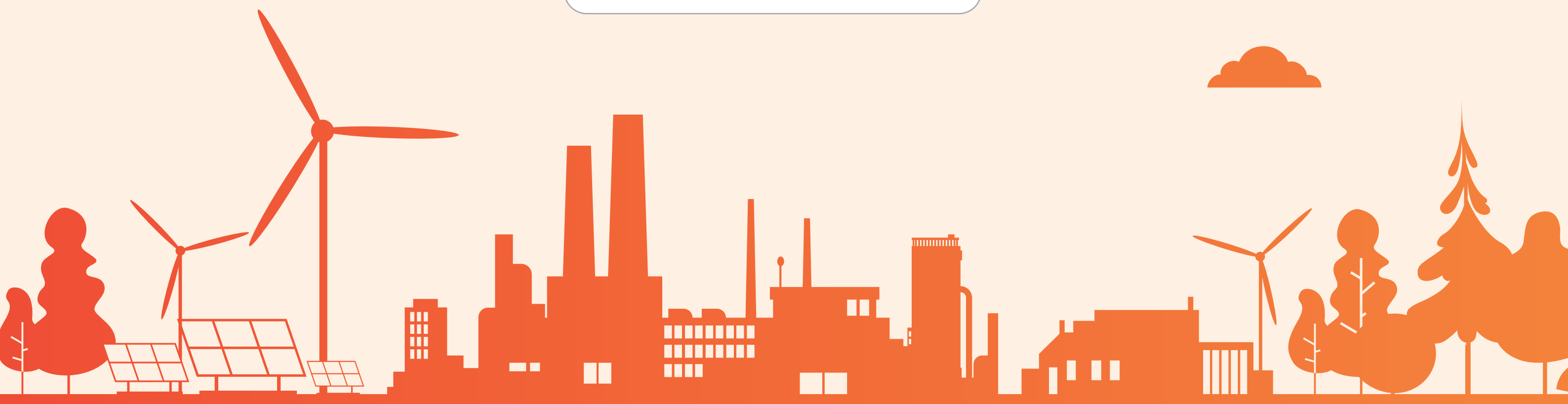
2. THIRD-PARTY INTERMEDIARIES AND PARTNERS

Engaging through third-party intermediaries ("TPIs") or carefully selected partners, to secure new business

Our multi-utility and multi-channel approaches provide choice, flexibility, speed of response and ease of use for our partners and TPIs.

NEW ROUTES TO MARKET:

We launched a brand-new partner portal channel to target disengaged SME businesses and maximise our margins. In less than 12 months this grew from zero revenue to c.1,600 contracts per month (with revenue booked of £3.5m per month) in H2. The portal allows us to access a huge pool of disengaged businesses quickly and effectively, with minimal intervention, working with a range of partners from commercial agents to brokers. This low cost digital channel delivers competitive rates, whilst maintaining strong margins, creating a win-win for all parties. This channel has also enabled us to target high margin small businesses moving into new business locations, known as changes of tenancy ("COTs"). We created a product for COTs within this channel to great success. Partners have been lining up to work with us in significant numbers, attracted by our speed of delivery.



3. PUBLIC SECTOR

Accessing high volume and good credit risk public sector opportunities

Our flexible, scalable billing and customer management systems have enabled us to break into the public sector. The flexibility in our billing platform has allowed us to deliver the bespoke requirements of public sector bodies. As a result we are now on the Government's Dynamic Purchasing System platform, enabling access to high quality opportunities, as evidenced by the renewal of the Bristol City Council contract.

COMPETITION

Potential consolidation of smaller players

The B2B supply market is more complex and less diluted than the domestic space, with fewer suppliers and a less onerous regulatory regime.

The suppliers present are broadly split across four tiers:

» the Big Six: albeit more focused on the B2C market, the Big Six typically offer some B2B supply;

» large suppliers: with over 1% market share, typically with revenues of £500m to £1bn+;

» challengers: a select number of suppliers, which includes Yü Group, characterised by a modest market share, though with a high growth ambition; and

» small suppliers: a pool of c.20 small suppliers which offer gas and/or electricity supply contracts.

Yü Group has collated a team of experienced professionals, built partnerships with third parties and developed a scalable platform. With these assets, the Group looks to build scale, organically and via acquisition of smaller suppliers, to become a large challenger supplier whilst maintaining its disruptive focus.

45%
of the market engage directly with suppliers to switch[1]

635,000
customers have never switched[1]

330,000
businesses engage through TPIs to source their energy supply[1]

OUR TARGET CUSTOMER

They value a fair and easy service and appreciate our innovative offer

Small and medium-sized businesses across the UK are more time poor than ever. As a consequence, they may not engage with their energy supplier and are likely to be on expensive tariffs, suffering poor service.

We provide a fair price through a quick quote and easy sign-up process and a long-term "hassle-free" experience for these customers.

1 Source: independent analysis from Bfy Consulting of B2B energy supply market, February 2020.

A FRESH APPROACH

Our unique multi-utility offering and agile delivery of innovation are focused on developing a fresh approach to business utility supply in the UK.

Driving innovation in business utility supply

Yü Group PLC deploys innovation and technology to make it easier, cheaper, quicker and simpler than ever for UK SMEs to sign up and manage all their utilities in one place, whenever and wherever they are. We deliver this through a combination of user-friendly digital solutions and personalised, high quality customer service. Our multi-utility offer spans electricity, gas and water supply, together with added value utility solutions for business customers across the UK. We support businesses in achieving their low carbon goals via a range of sustainable energy solutions, including the option to source 100% clean energy through our Pure Green plan. Using an agile approach to innovation, we are able to rapidly test and roll out new routes to market and product offerings.

Significant market opportunity

We are a direct supplier, not a broker, employing a range of routes to market in order to drive scale. We serve primarily small and medium-sized businesses across the UK – a £35bn addressable market offering significant scope for growth. We are developing innovative routes to market that allow us to reach these businesses quickly, efficiently and at scale, utilising new technologies such as our broker and partner portal which allows a quick and easy quote and sign-up process.

Strong systems and an experienced team

We ensure effective governance and compliance, using robust, scalable systems and automated processes to deliver a high quality customer experience, whilst our trading and hedging policy ensures we effectively manage and reduce the risk from energy market volatility.

Our experienced and committed management team has significant energy sector expertise, blended with fresh thinking from other market sectors to drive innovative approaches, embedded in a deep understanding of the utility needs of modern-day businesses.

Clear strategy for growth

We are an agile business, with scalable technology and expertise to rapidly test and roll out new routes to market and product innovation to drive scale and differentiation, capitalising on the opportunities in the evolving business utility market. The Group has a clear strategy to deliver sustainable profitable growth and value for all of our stakeholders.

HOW WE DEVELOP OUR BUSINESS

Our primary revenue stream is through the supply of gas, electricity and water to commercial properties, supplemented by added value services such as energy efficiency reports, EV charge points and meter installations. Our utility supply plans provide fixed price and fixed duration contracts that deliver a subscription model with good visibility of future revenues. Our typical contracts offered are 1, 2, or 3 years in duration.

Average contract term

24 months

For utility supply, we typically receive a variable income, based on the units (kWh for electricity and gas, or m^3 for water) the customer consumes, and a standing charge typically based on the size of the customer's utility connection. We target robust small and medium-sized businesses, and make it easy for customers to switch their energy supply to us. We engage with customers via multiple channels.

Direct sales

Our direct sales team engages with customers via both inbound and outbound contacts, offering the benefit of a quick and easy quote and sign-up process. This channel has successfully adapted and continued to grow during the Covid-19 pandemic with targeted digital campaigns to attract disengaged SMEs.

Online

Our digital, broker and partner portal has seen strong expansion, providing an efficient and low cost to acquire channel. It allows customers and partners to quickly and easily quote and contract online. This sales channel has been the Group's fastest growing during 2020.

Brokers

We work with carefully selected third-party intermediaries ("TPIs") aligned to our commitment to transparency and service. We engage directly for larger, more complex accounts, providing a rapid turnaround and bespoke service.

Renewals and relationship management

We maximise the opportunity to retain customers via our dedicated renewals team, complemented by excellent customer service through our relationship management team, building strong and enduring relationships. We deploy marketing automation to effectively engage customers during the renewal window.

Read about our markets on page 12

WHAT MAKES US DIFFERENT

Yütility Simplicity
Our unique multi-utility offer spans electricity, gas and water supply, together with a range of complementary added value utility solutions from meter installations through to EV charge points. As the only supplier providing UK businesses with multi-utility bundles for gas, electricity and water we help them to save time and money with all their utilities under one roof.

Sustainable solutions
We support businesses in achieving their low carbon goals via a range of sustainable energy solutions, including pure green energy supply, power usage reporting and EV charging solutions. The launch of our Pure Green plan proved particularly successful with nearly 3,000 meters signed up in the first year, including Bristol City Council as part of its contract renewal.

Customer service
We help businesses drive cost and time efficiency via a combination of great service, simple straightforward communication and utilities all under one roof. We provide a fair price through a quick quote and easy sign-up process and a long-term "hassle free" experience, delivered through a combination of user-friendly digital solutions and excellent customer service including three-ring phone pick-up.

Our customers
We continue to focus on targeting disengaged SMEs, primarily the 635,000 businesses that have not switched their business energy supplier. Time-poor small and medium-sized businesses may not engage with their energy supplier and are likely to be on expensive tariffs, suffering poor service. We tailor our approach to target a wide range of sectors' from manufacturing facilities to care homes, and from offices to schools and many more.

Digital innovation
As an agile, digital-first, entrepreneurial business, we are constantly innovating using scalable technology and expertise to rapidly test and roll out new routes to market and product innovation to drive scale and differentiation, capitalising on the opportunities in the evolving business utility market. Our new partner portal is a prime example of this, utilising a digital solution to provide access to target disengaged SME businesses and maximise our margins.

Flexibility
Our robust, scalable systems, agile approach and speed of delivery have enabled us to deliver two business acquisitions quickly and efficiently and to quickly respond to changing customer needs during the Covid-19 pandemic, developing and launching new products and digital marketing campaigns to target disengaged SMEs. The flexibility in our billing platform has also allowed us to break into the public sector by delivering the bespoke requirements of public sector bodies. As a result, we are now on the Dynamic Purchasing System platform, allowing access to high volume, good credit, public sector opportunities.

OUR KEY STAKEHOLDERS

Shareholders
Our business has great potential to grow in a controlled way, benefits from experienced management and has a recurring revenue stream with good forward visibility.

Our robust financial framework ensures a clear focus on enhancing shareholder return through balancing the growth, profitability and cash generation performance of the Group.

The Group has demonstrated that it can successfully adapt and thrive during a turbulent period, whilst supporting its customer base.

Financial framework on page 23

Customers
We deliver Yütility Simplicity for our customers via competitive fixed prices, a unique multi-utility offer, great service and product innovation. This combination is helping SMEs to overcome the barriers to trust, hassle and cost, freeing up their time to focus on running their business.

People and communities
Our talented team is based across our offices in Nottingham and Leicester. During the Covid-19 pandemic, we have supported our teams in successfully adapting to flexible and home working, continuing to deliver high levels of service and productivity.

Our new purpose-built Leicester office will shortly bring together our sales, marketing and technology innovation teams to drive the next phase of growth. We employ local apprentices, develop our people through a culture of continuous learning and engage our teams to work towards our common business purpose.

Engaging with stakeholders on page 34

Read about our people potential on page 32

17,425
meter points (+100%)

4.5 stars
Trustpilot score

<0.5%
B2B market share

3,000
meters supplied under the Pure Green plan

4,000
meters onboarded from Bristol Energy

£21m
revenue booked in H2 2020 via partner portal

AMBITIOUS AND DELIVERABLE STRATEGY

Scaling the business on a proven platform.

1. GROWTH

There are over 1.7 million customer meter points throughout the UK, across various market segments. We look to scale our business through our core electricity, gas and water supply offering, supplemented by additional complementary products as appropriate.

We secure new customers through varied routes to market and in line with our commercial criteria. We also offer great customer service to focus on retaining our valuable customers.

We look to acquire customer books from competitors where they meet our strict value add criteria.

Progress in 2020

- Average monthly bookings of £8.3m, up from £4.2m in 2019
- Successful acquisition of two customer books from competitors, adding c.4,500 meter points to the contract base
- Exited 2020 with £93m of revenue contracted for FY 2021, an increase of 16% from 2019 (2019: £80m for FY 2020)
- Contract acquisition at higher margin and in line with improved know your customer processes
- Renewal rate of 60% for 2020, increased from 40% in 2019
- Closed 2020 with 17,425 meter points, double the number at 31 December 2019

Priorities in 2021

- Continued growth in bookings and contracted revenue, beyond the £8.3m and £93m, respectively, for 2020
- Increase renewal rate to over 70% reflecting the improved customer base and strong service levels
- Launch of new digital tools to accelerate organic growth
- Cross-sell of multiple products across customer base
- Launch of new sales, marketing and innovation centre in Leicester
- Acquisition of further value-enhancing customer books

KPIs A B C

Risks 1 2 4

2. FINANCIAL RESULTS

Achieving financial results to create shareholder return is a key priority of the business. To achieve this objective, the Group has set a financial framework to steward its position.

This framework captures:

- growth, by scaling recurring revenues;
- increasing net customer contribution delivered from the Group's customer base;
- controlling overheads and reducing costs as a proportion of revenues as the Group's scales on its platform; and
- managing cash flow, through close customer receivables management and utilising the Group's structured commodity trading arrangements.

See further information on the Group's financial framework on page 23

Progress in 2020

- Legacy, low margin contracts now washed through and replaced by higher margin contracts
- Net customer contribution[1] increased further, to 6.1% in FY 2020, and was 6.3% in H2 2020 (from -0.4% in FY 2018 and 2.5% in FY 2019)
- General overheads reduced from 6.3% in FY 2019 to 6.2% in FY 2020
- Significant cash held, with £11.7m available at 31 December 2020
- 99% bill to cash ratio, suggesting limited exposure to bad debt despite Covid-19

Priorities in 2021

- Increase in net customer contribution, to target >7%
- Maintain cash collection from customer receivables
- Put in place efficiencies to reduce overheads from the 6.2% of revenues in 2020 over the medium term
- Optimise capital structure of the Group, to reduce cost of capital and invest surplus cash in strategic investments

KPIs A D E F

Risks 1 2 3

1 Net customer contribution represents, as a percentage of revenue, gross margin less bad debt. For FY 2020, it also excludes the estimated impact of Covid-19 incurred during H1 2020. Without this estimate of Covid-19 impact, the net customer contribution for the year would be 4.5%.

Key to KPIs

- A Contracted revenue
- B Average monthly new bookings
- C Total meter points
- D Net customer contribution
- E General overheads
- F Overdue customer receivables

Key to risks

- 1 Covid-19
- 2 Revenue recognition
- 3 Cash conversion from debt book
- 4 Disrupting the market
- 5 Commodity trading
- 6 Covenant breach
- 7 Relationship with regulatory bodies

3. DIGITALISATION

The Group is positioned to disrupt the market, with a proposition to bring hassle-free solutions to customers. The use of a digital-first approach is an import component of this strategy: to provide an efficient and rewarding customer experience, whilst ensuring cost advantage in the sector by utilising appropriate technologies.

Progress in 2020

- Launch of new broker portal, generating booking value of £21m in H2 2020
- Increased deployment of SMETS2 smart meters, to provide greater operational control
- Automation of sales processes from sales to billing CRM systems
- First robotic process automation processes implemented
- Data science partnership to focus on collection of overdue customer receivables

Priorities in 2021

- Unlock new digital acquisition channels
- Utilise data science and artificial intelligence to drive customer acquisition
- Further enhance customer experience utilising digital technology
- Further deployment of SMETS2 meters
- New system improvements to drive efficiency in the middle and back office, for impact in 2022
- Launch of Leicester innovation centre, bringing in new digital talent

KPIs A B C E | **Risks** 4

4. STRONG FOUNDATIONS

The Group operates in an enormous market and continues to scale. Managing such growth requires robust governance, customer centricity and a workforce fully engaged and aligned to the Group's vision.

The Group has invested in an experienced and capable Executive Management Team, complemented by highly capable colleagues with a common purpose.

Systems and processes are in place on which to build and scale the business.

Progress in 2020

- Introduction of Yü career pathways across the business, defining knowledge, skills and competencies required
- Continued progression of home-grown talent, resulting in nine internal promotions across the Group
- New incentive plan for key management implemented
- Recruitment of additional talent, to further strengthen key areas
- Improvement of employee engagement, with a score of 71%
- Leading industry Trustpilot score, at 4.5 stars
- Reduced impact of Covid-19 by implementing risk management techniques
- Supported customers with advice and new products to help mitigate impact of Covid-19

Priorities in 2021

- Further investment in innovation and digitalisation skills, to bring further disruption to market
- Mobilisation of new sales and marketing office
- Continued support of employees through Covid-19 lockdowns, with particular emphasis on employee wellbeing
- Further engagement with stakeholders, including corporate social responsibility initiatives

KPIs D E | **Risks** 5 6 7

ACCELERATING BUSINESS PERFORMANCE

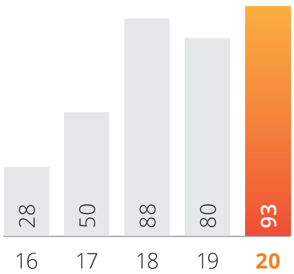
1 2 3

CONTRACTED REVENUE (ONE YEAR FORWARD)

(£m)

£93m

+16%



Definition
Contracted revenue comprises the estimated value of revenue, based on contracts with customers, for the subsequent 12 months. The actual amount recognised as revenue might typically vary by up to 10% due to the inherent estimation involved in this calculation.

Customer demand is the best estimate of the energy volume to be supplied, also reflecting the impact of Covid-19 on some customers.

The KPI excludes contracted revenue beyond a year forward.

Performance
Contracted revenue secured at the end of FY 2020 of £93m is 16% above that at the end of FY 2019. This is a very pleasing result, reflecting the high growth achieved by the Group during 2020.

This basis provides confidence to management in the ability to achieve growth in revenue in FY 2021.

The growing level of contracted revenue is also with higher margin, higher quality contracts following the work the Group has done to reset its business model.

Target
The Board targets significant improvement in contracted revenue by the end of 2021, to impact 2022. A compounding impact is also expected where higher contracted revenue results in higher renewal and cross-sell potential, continuing growth momentum.

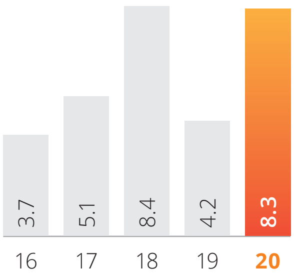
1 3

AVERAGE MONTHLY NEW BOOKINGS

Average contract term: 24 months (£m)

£8.3m

+98% (£10.3m for H2 2020)



Definition
Bookings represent the annualised revenue (or contract term if less than one year) of new business signed in the year, averaged on a monthly basis. Such bookings are secured through renewal of contracts with existing customers, the cross-sell of additional services to existing customers, or the acquisition of new customers through various sales channels.

Bookings will result in additional contracted revenue, dependent on contract start dates.

As with contracted revenue, the revenue actually achieved from such bookings may vary by up to 10% due to the inherent estimation involved under normalised conditions.

Performance
Accelerating and significant growth in new bookings has been achieved, leading to a record month during H2 2020. The quality and margins on the new business booked have been considerably increased since 2018, giving a high confidence in continued improvement in margins.

Target
The Board targets continued growth in bookings as the Group scales in the significant UK market opportunity available.

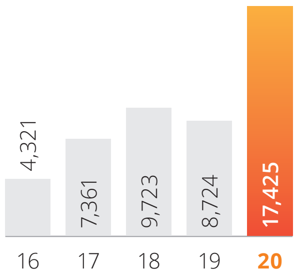
A further increase is targeted via improvement to the Group's renewal rate from 60% in FY 2020 to above 70% for FY 2021 as a consequence of the improved customer book and strong service levels in place.

1 3

TOTAL METER POINTS

17,425

+100%



Definition
The total meter points demonstrate the gas, electricity and water supply points served by the Group at the relevant year end. They represent the exit rate as an indicator of business growth.

Performance
Significant organic growth, as demonstrated in monthly bookings, plus the acquisition of two customer books during H2 2020 have led to a doubling of meter points served by the Group.

Target
In line with the Group's growth strategy, the Board targets continued organic and inorganic growth which is expected to further increase meter points supplied by the Group.

Other KPIs

In addition, the Board and Executive Management Team monitor various other metrics to manage the business and drive forward profitability. Such metrics include the externally reported Trustpilot score, total contracted revenue, average contract term, ratio of conversion of billing to cash, engagement via digital channels, employee engagement %, contract renewal rates, profitability returns by sales channel, and compliance with covenants and internal risk policies.

Links to remuneration

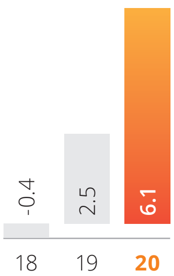
Management bonus incentives are linked to business growth and profitability KPIs. The Group LTIP is based on share price growth – providing direct correlation between shareholder value and the remuneration of key management.

2

NET CUSTOMER CONTRIBUTION

6.1%

Improvement of 3.6% in 2020



Definition

Net customer contribution measures the normalised profit contribution, as a percentage of revenues, directly linked to customer contracts. This consists of the gross margin reported (adjusted for the estimated impact of Covid-19 in H1 2020), less the bad debt and expected credit loss charged against adjusted EBITDA.

Net customer contribution can vary as the Group flexes its commercial strategic objectives. Such changes can be a result of differing point of sale margins across differing sales channels, cross-sell of multiple products, managing lifecycle initiatives and closely managing bad debt and expected credit loss.

Performance

Business process improvements implemented during 2018 and 2019 are paying significant dividends in this KPI.

Contracts sold at higher margins have replaced legacy, low margin contracts.

In addition, significant commercial action to optimise customer lifecycle value and minimise bad debt is contributing to the upward trend.

Target

Continued upward momentum is targeted by management. This target is due to the new clean book, consisting of higher margin contracts, and the continued commercial initiatives taken to optimise customer lifecycle value.

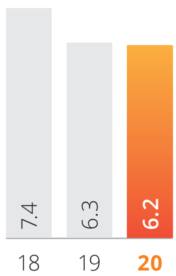
Management targets over 7% net customer contribution from FY 2021.

2 3 4

GENERAL OVERHEADS

6.2%

Improvement of 0.1% in 2020



Definition

General overheads represent the overheads (excluding bad debt) charged to adjusted EBITDA as a percentage of revenue. It comprises the operating costs on a recurring basis and excludes the impact of equity-settled share based payments, movements in derivatives charged to the income statement and significant exceptional costs.

Such general overheads are allocated by management between cost to acquire (costs incurred in sales, marketing and pricing new business), cost to serve (costs to operate and deliver core services to customers, including credit control) and general administrative (typically relatively fixed costs of the Board, functional support such as IT, HR and finance, and property costs).

Performance

The positive trend in overheads has continued, albeit at modest levels for FY 2020. Costs are broadly equally split between cost to acquire, cost to serve and general administrative.

Core to the financial strategy of the Group is to leverage the mainly fixed general administrative costs, whilst also benefiting from a low incremental cost to serve. Cost to acquire is sized to achieve significant growth for the Group.

Target

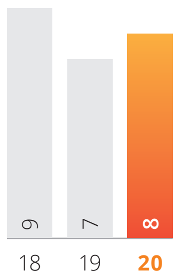
As a consequence of the efficiencies brought by scaling the Group, close control over fixed overheads and use of digital technologies, the current 6.2% overheads incurred by the Group are expected to reduce in the medium term, with specific material change from FY 2022.

2 4

OVERDUE CUSTOMER RECEIVABLES

8 days

+1 day



Definition

Overdue customer receivables ("OCR") represents the amount outstanding and overdue, net of provision and deferrals, to key customer receivable balances, compared with the revenue recognised. Such balances are the amounts held in relation to accrued income which is beyond the normal one month billing cycle, plus trade receivables (net of VAT and CCL) that are overdue.

Management utilises this metric as it assesses the trending of working capital tied up in customer receivable balances and also highlights any unprovided risk to the income statement on such balances.

Performance

FY 2020 performance has been similar to prior years, in line with management targets.

Target

The relatively stable performance of the Group over recent years has shown clear focus by management in this area. Based on the wider economic context and the Group's ability to absorb some movement, the Board targets OCR to be broadly similar (at less than 10 days) in FY 2021.

Links to strategy

1 Growth
2 Results
3 Digitalisation
4 Solid foundations

STRONG AND IMPROVING UNDERLYING PERFORMANCE

Paul Rawson
Chief Financial Officer

Analysing profitability

Gross margin for the year was 7.6%, up from 4.9% in 2019 despite the 1.5% impact of Covid-19 during 2020. Gross margin for H2 2020 was 9.1% (H1 2020: 5.7%, 2019: 4.9%), showing significant improvement.

Net customer contribution[2], representing underlying profitability achieved from customer contracts, was 6.1% for the full year and 6.3% for H2 2020. Management is pleased to report this 2.5x increase in H2 2020 from the prior year (2019: 2.5%).

Continued positive momentum in net customer contribution is targeted by management. Legacy, low margin contracts have, as expected, washed through during 2020. They are now replaced with higher quality, higher margin contracts, and the Group continues to focus on customer lifecycle initiatives.

The Board is pleased to report that, at 31 December 2020, contracted revenue for 2021 is £93m, consisting wholly of these new improved margin contracts.

The improving net customer contribution performance in 2020, to 6.1%, is after a 3.1% charge for bad debt (2019: 2.5%). The level of provisioning has been increased in view of the wider economic context caused by Covid-19, despite solid cash collection for FY 2020. The Board targets a reduced bad debt charge in 2021 to support continued improvement in net customer contribution.

A clear and pleasing improvement in our performance, delivered under our robust financial framework.

Results

The results for the year to 31 December 2020 demonstrate clear momentum in the financial performance of the Group.

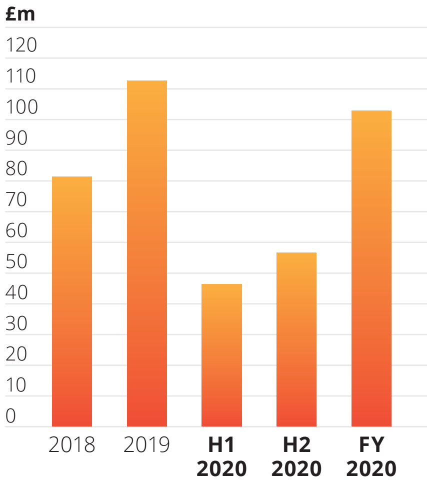
Revenues of £101.5m (2019: £111.6m) were ahead of market expectations. A very strong H2 2020 performance, at £55.6m (21% higher than H1 2020), was achieved as accelerated new sales bookings and book acquisitions strengthened revenues, and customer energy consumption recovered post the initial "shock" of the first lockdown.

The Group's loss for the year ended 31 December 2020 was £1.2m, significantly below the £5.0m loss for the prior year.

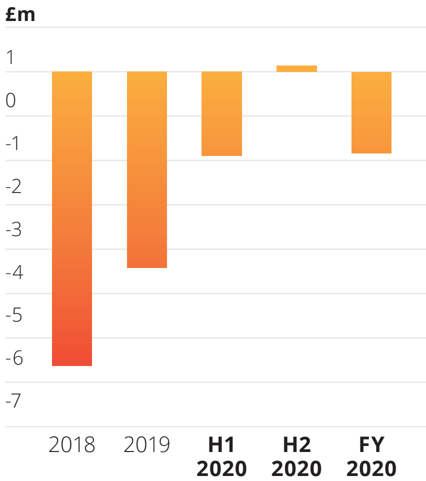
Adjusted EBITDA[1] loss at £1.7m for the year was significantly improved from the prior year (2019: loss of £4.2m). The Board is also pleased to note H2 2020 showed an adjusted EBITDA profit of £0.1m (H1 2020: £1.8m loss, largely due to Covid-19). Whilst this level of profit is not at the scale the Board is satisfied with, it is pleasing to see the Group return to a profitable footing with positive trends across all key indicators.

REVENUE AND EBITDA EVOLUTION

Revenue



Adjusted EBITDA

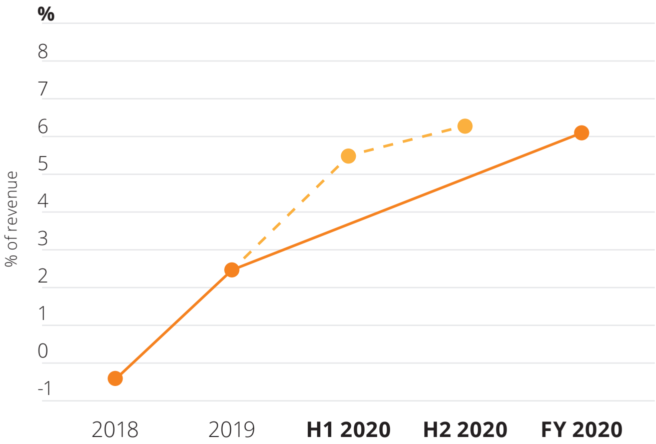


1 Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, and before certain exceptional or one-off costs. The reconciliation between IFRS and adjusted EBITDA, as an alternative reporting measure, is included in note 7 to the financial statements.

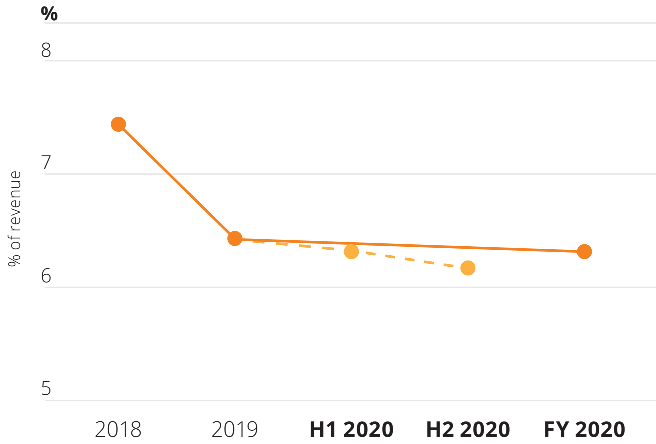
2 Net customer contribution represents, as a percentage of revenue, gross margin less bad debt. It also excludes the estimated impact of Covid-19 incurred during H1 2020. Without this estimate of Covid-19 impact, the net customer contribution for the year would be 4.5%.

IMPROVING PROFITABILITY

Net customer contribution



General overheads



Estimating the impact of Covid-19

Isolating the impact of the pandemic on the financial results reported is a complex exercise which requires management judgement. The full impact of the pandemic is, therefore, reflected in the Group's reported adjusted EBITDA and not included as an exceptional cost. In calculating net customer contribution as an underlying performance metric, management has made an estimate of the significant one-off costs incurred.

A fall in customer energy consumption was particularly evident in April and May 2020, at the time of the first lockdown, when demand fell to c.65% of normal levels. This "shock" volume reduction led to an over-hedged (i.e. a long) traded commodity position which coincided with a significant decline in commodity prices caused by the near global lockdown. The combined consequence was a gross margin loss on the over-purchased energy. In addition, there were significant additional costs over the same period in operating the national energy system which were passed through to energy suppliers.

Management estimates that a substantial proportion of the £1.8m loss incurred in H1 2020 was a direct result of the initial shock of the first lockdown.

For H2 2020, customer energy volumes have been more stable, at c.90% of pre pandemic demand, and management have implemented some risk mitigation and commercial strategies for this new normal. Whilst the Group's revenues and gross margin have been impacted, the extent of the impact is more difficult to isolate than the costs incurred during the initial shock of the first lockdown. The Group's internal net customer contribution metric for H2 2020 has not, therefore, been adjusted.

Clear results under our financial framework

Our financial framework is entering a new phase after significant reset work over the last two and a half years.

» **Scaling recurring revenues:** We plan to secure significant organic revenue growth to take advantage of the available market opportunity. Average monthly bookings accelerated during 31 December 2020, rising from £4.2m in FY 2019 to £10.3m in H2 2020. The Group also exited 2020 with good forward revenue visibility, with £93m already contracted for FY 2021 – an increase of 16% on the comparable measure from 2019.

» **EBITDA, by increasing net customer contribution ("NCC"):** We optimise anticipated NCC at point of sale and throughout the contract lifecycle. Our NCC (which is pre the impact of Covid-19) has improved to 6.1% in FY 2020 (2.5% in FY 2019). The expiry of low margin contracts, the immediately earnings-enhancing acquisition of two customer books, and certain customer lifecycle value campaigns have increased NCC to 6.3% for H2 2020. Management continues to invest effort to enhance this measure further in the short term and to reduce the negative impact of bad debt.

» **EBITDA, by controlling overheads:** We manage general overhead levels closely to gain scale benefits on our fixed base cost. For FY 2020 these overheads were 6.2% of revenues, a small improvement from FY 2019 of 6.3%. These overheads split, broadly, into three equal categories (cost to acquire, cost to serve and management overhead). Scale benefits are expected to reduce the level of overheads as a % of revenues. The use of digital technologies to acquire new business and serve our customers is also expected to drive further benefit.

"OUR FINANCIAL FRAMEWORK IS ESTABLISHED TO PROVIDE SHAREHOLDER VALUE...

SUSTAINABLE AND SIGNIFICANT REVENUE GROWTH; A FOCUS ON THE DRIVERS OF EBITDA; AND OPTIMISING THE GROUP'S CASH POSITION."

Clear results under our financial framework continued

- **Managing cash:** A laser focus on customer receivables management, plus the utilisation of our scalable commodity trading arrangements with our partner, SmartestEnergy, have led to an improvement of £9.4m in available cash during FY 2020, to a balance of £11.7m at 31 December 2020. The Group plans to utilise available cash resources to acquire new customer books which fit our strict value criteria.

Customer receivables and accrued income

The Board has been pleased to see cash conversion on customer receivables during FY 2020 at 99% of billed levels, which suggests an under 1% underlying bad debt rate on new debtors arising. In addition, it is encouraging to note the genuine diversity of businesses served by the Group: from healthcare, manufacturing and the public sector through to hospitality, leisure and retail. Through close management, and careful dialogue and support for customers, there has been no evidence in 2020 of significant impacts on working capital or bad debts from the pandemic. This resilience is partly as sectors most impacted by lockdowns are consuming less energy and thereby generating less revenue and customer receivable balances – giving the Group a structural reduction on some bad debt risk.

Risk models implemented by the Group carefully concentrate resources to identify potential issues in order for appropriate support and action to be taken. Process improvements made during 2019 and 2020 have paid dividends for the Group in this respect. The Group continues to deploy new technologies to support its credit control activities.

In view of the potential wider economic impact from the pandemic the Board has assessed, with reference to third-party forecasts, the potential risk of increased business failures across various sectors. As a result of this analysis the Group results include a prudent 70% uplift in the expected credit loss provision against certain customer receivable and accrued income balances.

Customer receivable balances, gross of provisions, were £8.1m at 31 December 2020 (2019: £7.8m). At 31 December 2020 the total provision for expected credit loss is £5.2m, being 64% of the gross receivable balance (2019: £4.9m, being 63% of the gross receivable balance). For accrued income, a provision of £0.9m is held, being 7.5% of the gross balance (2019: £0.2m provision, being 2% of the gross balance).

The charge to the income statement for expected credit loss and bad debt is 3.1% of revenue (2019: 2.8%). This charge includes the impact of additional prudent provisioning as a result of the wider economic context caused by the pandemic; despite the strong cash collection performance on customer receivables noted to date. Management target a reduced charge for FY 2021 which would enable further increases in adjusted EBITDA.

Investments, balance sheet and cash

The Group has taken possession of its new purpose-built office in Leicester which will be used as a hub for sales, marketing and innovation activities. The balance sheet at 31 December 2020 held £1.0m in assets under construction and £0.2m as land. A further £2.2m, being the total capital commitment as disclosed in note 22, was paid in Q1 2021 and financed by the cash reserves of the Group.

The Group successfully acquired two customer books, and associated customer receivable balances, during H2 2020. The assets acquired and consideration are disclosed in note 24.

The acquisition of the business customer activities of Bristol Energy completed in August 2020, for consideration of £1.3m. The acquisition included £1.3m (net of provision) of trade debtors and accrued income balances, which were largely converted to cash within four weeks of completion of the contract, leading to a quick payback period. The customer book acquired for £0.6m is included in intangible assets, and the Group also recognised a £0.6m industry liability which is payable in August 2021.

The Group generated an operating cash inflow of £12.1m during FY 2020 (2019: £11.3m outflow). After the investment in property and other outflows, the cash balance at 31 December 2020 is £11.7m (2019: £2.4m).

The cash flow for the year includes the benefit of £10.2m for the return of certain cash collateral posted as part of forward trading commitments. These repayments were a consequence of the agreement with SmartestEnergy, who provide a commodity trading limit which scales with the Group, reducing the need to provide cash collateral. The relationship continues to be positive.

The Group has also taken advantage of the deferral of c.£3.6m of HMRC payments of VAT and PAYE otherwise due in H1 2020, which will be repaid during 2021 and 2022.

Post 31 December 2020, the Group's cash performance has continued to be strong.

Summary

There has been significant progress during FY 2020 in the Group's financial performance despite the obvious headwinds caused by the pandemic.

The Group generated a small profit during H2 2020, and momentum is building with a clear financial framework in place covering:

- significant organic growth, with higher quality and higher margin contracts;
- increasing net customer contribution through customer lifecycle value initiatives and close management of bad debt;
- achieving clear scale benefits in overheads, to leverage the fixed costs of the Group and drive efficiency utilising digital technologies; and
- continuing to closely manage cash, utilising scalable trading commodity arrangements and investing in further customer book/asset purchases where they have clear earnings and cash upside.

With these building blocks now in place the Group is well placed to continue the strong trajectory and generate returns within the near future.

Paul Rawson
Chief Financial Officer
30 March 2021

GROWTH:
ORGANIC AND INORGANIC

HIGH GROWTH OF RECURRING REVENUES

The Group operates a subscription model with forward revenue contracted for a number of years. A clear plan is in place to accelerate profitable growth in what is a significant UK market.

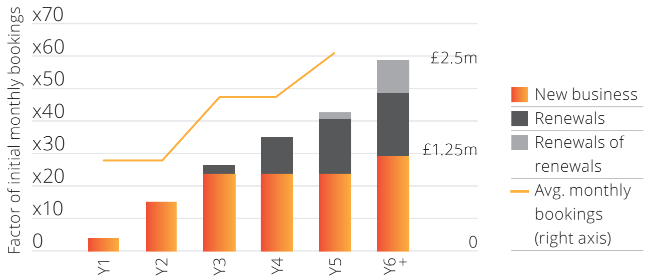
Our framework:

- secure predictable contracted revenues;
- accelerate organic growth rates;
- increase renewal rates; and
- strategic M&A to complement organic growth.

Our high growth model provides a compound growth opportunity and enables overhead efficiency.

REVENUE GROWTH FROM BOOKINGS

Illustrating growth potential, the chart below is based on £1.25m average monthly bookings (being £15m per year), with a three month delay in contract start date and a 24 month average contract term. Renewals at 70% result in an increasing booking potential. Assuming a standing start, impact year 5 would be over £50m.



EBITDA:
CUSTOMER CONTRIBUTION AND OVERHEADS

DRIVING PROFITABILITY THROUGH OPTIMISED MARGINS AND EFFICIENT OPERATIONS

The Group is improving EBITDA by increasing net customer contribution whilst leveraging overheads.

Our framework:

Increasing net customer contribution

Acceptable margin at point of sale, based on customer and contract risk profile.

Optimise customer lifecycle margin, underpinned by leading customer service.

Manage commodity hedging risk.

Minimise bad debt with tight control over cash collection, embracing data science to improve performance.

Controlling overheads

Utilise digital technologies to acquire customers efficiently.

Continually drive lower incremental cost to serve utilising the Group's scalable platform.

Leverage fixed overhead costs as the Group accelerates growth.

Acquisition of competitors' customer books with limited additional overheads.

Unlocking significant scale benefits in overheads

Cost type	Strategy	Scale impact[1]
Cost to acquire	Sized for significant organic growth and strong renewal position. Additional investment should result in increased organic growth.	High
Cost to serve	Sized to serve customer base. Drive efficiently through use of digital technologies and automation. Unlock benefits of scale benefits using fixed platform.	Medium
Administrative costs	Cost of listing and central support. Focus on minimising incremental overhead as the Group scales.	High

1 A high scale impact should result in a significant decrease in overheads as a % of revenue; enabling increased EBITDA.

"HIGHER QUALITY AND MARGIN SALES BOOKINGS, PLUS THE ACQUISITION OF EARNINGS ENHANCING CUSTOMER BOOKS, RESULT IN A MUCH IMPROVED FORWARD CONTRACT BOOK… AND WE ANTICIPATE SIGNIFICANT OVERHEAD BENEFITS AS THE GROUP SCALES."

CASH:
CLOSE MANAGEMENT

The Group manages its cash resources to optimise shareholder value.

Our framework:

- prompt bill to cash conversion;
- utilise the increasing commodity trading limit provided by SmartestEnergy to support forward hedging requirements; and
- optimise capital structure to take into account lower cost of debt funding and ability to invest in inorganic growth.

99%
cash receipts vs. bills raised in 2020

£11.7m
cash held at 31 December 2020

RISK MANAGEMENT

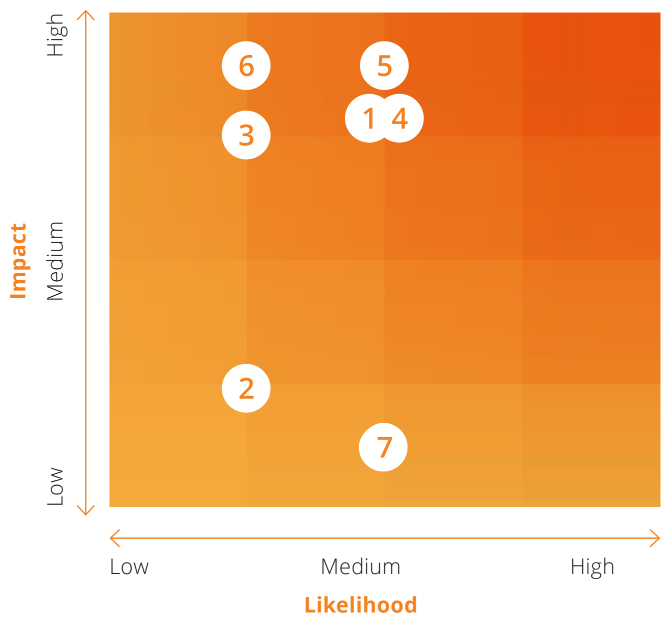
We monitor, assess and mitigate the principal risks and uncertainties facing the Group based on the likelihood of their occurrence and potential impact they would have.

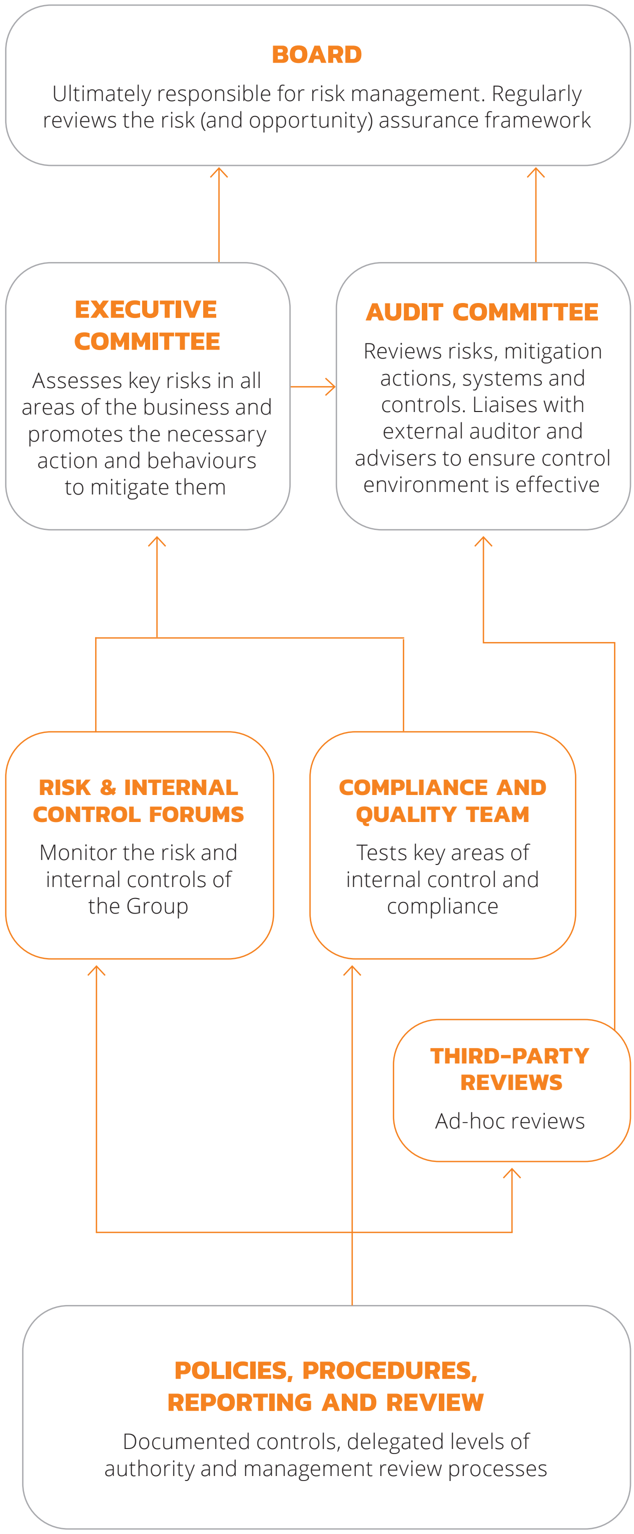
Approach to risk

The Board is responsible for maintaining the Group's risk management and internal control systems as well as for the monitoring and mitigation of risk (and opportunity) in line with the Group's objectives. The Audit Committee provides further oversight and risk mitigation by working directly with executive team members.

The key features of the Group's systems of internal control are:

- a risk and internal control improvement register is maintained by the internal control manager and reviewed regularly by the Board and Audit Committee. Risks are identified and discussed by the department heads and the Executive Committee, and in risk reviews held by the Board;
- an organisational structure with clear segregation of duties, controls and Board approved delegated levels of authority;
- strong policies and procedures are in place around what constitutes good behaviours and governance and a solid internal control framework;
- some internal audit assurance is provided by independent ad-hoc third-party reviews, where instructed, and also via internal compliance and quality of function roles;
- a quarterly risk and internal control forum takes place, chaired by the internal control and risk manager with the Chairman of the Audit Committee and/or a fellow committee member in attendance. This establishes clear visibility and accountability over the internal control environment of the Group; and
- formal hedging policies and an established risk mandate that govern the Group's approach to forward purchase of commodity contracts.





Links to strategy

1 Growth
2 Results
3 Digitalisation
4 Solid foundations

PRINCIPAL RISKS AND UNCERTAINTIES

The Board and Executive Committee continuously review and analyse risks and uncertainties faced by the Group in order to consider appropriate mitigation.

1. COVID-19

Description

The global pandemic has brought an additional overarching risk to the Group and also potentially heightens the likelihood and impact of existing risks:

- health and safety: related to the wellbeing of employees caused by the lockdown, and the risk of the pandemic on the health of employees;
- business interruption: the ability, during lockdown, to operate an efficient business operation to serve customer and operational needs;
- customer demand, commodity and industry cost risk: the increased risk due to changes in customer consumption caused by lockdown or the wider economic context. In addition, the risk of additional energy costs being passed to the Group related to operating the national energy network under the disruptive nature of Covid-19; and
- customer default risk: the risk of increased bad debt due to increased failures of the Group's business customers or the working capital impact of delayed payment plans.

Mitigation

The Group has introduced a wide range of measures to combat the risks brought about by the global pandemic. A business continuity and remote working plan was put in place allowing the whole business to move to remote working within 48 hours of roll-out in March 2020, prior to the mandated lockdown.

The Group has ensured appropriate health and safety measures have been put in place, including social distancing. In addition, support on employee wellbeing has been prioritised, to support colleagues through a difficult time. Employee engagement and communication has also been stepped up to ensure that all colleagues are kept up to date with important Company matters and other areas of interest.

Customer engagement levels have also been increased. New products together with clear signposting were put in place for their greater support.

There is a Company-wide focus on the bill to cash cycle to ensure that all invoices are issued in a timely fashion and collection targets are set to achieve as close as possible to 100% conversion to cash throughout the year.

The trading and commercial team has taken actions to ensure that the impact of any lockdown events are minimised as far as possible. Hedging policies have been amended where appropriate, and terms and conditions with customers have resulted in some mitigation in the Group's losses.

The Group has also taken advantage of some limited available Government initiatives and reliefs to ease the impact of Covid-19, such as deferral of payments of VAT and PAYE. In addition, the Group furloughed a number of staff for a short period of time in H1 2020 in non-operational activities.

Further details on the impact of and response to Covid-19 can be seen on page 5

Strategy 1 2 | **Change** Decrease

2. REVENUE RECOGNITION

Description

Due to the inherent nature of the industry and its reliance upon estimated meter readings, revenue includes the directors' best estimate of differences between estimated sales and billed sales, and customer billing may be based on estimates. When customers are unable to be billed for technical reasons, such as a failure in communicating to an automatic meter, a best estimate of the level of accrued income that is to be recognised also needs to be made by management. Given the process for estimating involves a number of variables, there is a risk that the level of accrued income reported is inaccurate and not ultimately recoverable. Estimated meter reads may also lead to incorrect levels of industry costs being borne by the business, leading to an imbalance of costs and revenues.

Mitigation

Regular review and discussion at a senior level ensures that the strict policies and procedures introduced in 2018 continue to be adhered to. This gives comfort that the Group's revenue recognition policy is appropriate and that accrued income is at a manageable level.

Management has also instigated additional controls over revenue and gross margin reporting, which provides greater confidence on recognition of revenue and appropriate costs.

The level of accrued income held at 31 December 2020, which has not been billed in January 2021, is £0.5m (2019: £0.3m). This level of accrued income is net of a provision based on an assessment, under IFRS 9, of the level of expected credit loss of the balance. This area of the Group's revenue is continuously assessed in order to ensure the amounts are recoverable or are not recognised in revenue.

The Group has also improved its meter reading performance with close customer engagement and will continue to target a reduction in the amount of revenue billed based on estimates.

Strategy 1 2 **Change** No change

3. CASH CONVERSION FROM DEBT BOOK

Customer default risk

Description

As the Group scales rapidly, coupled with the ongoing uncertainty in the economic landscape, there is a heightened risk that the Group incurs losses as a result of customers not paying their bills.

Mitigation

Additional focus has been put on the bill to cash cycle in 2020, in light of the ongoing Covid-19 pandemic, and this will continue to be the case in 2021 and beyond.

The Group has commenced the roll-out of smart meter technology which provides additional benefits in the cash collection cycle.

Stringent credit checking policies, and assessment of sector risks, are being applied across all sales channels to ensure the contracts secured by the Group are of an acceptable risk level.

The Group also reviews trade receivables carefully to ensure provisions are booked to cover expected credit losses at the balance sheet date.

Strategy 2 **Change** No change[1]

1 Increase due to Covid-19 has been negated by additional mitigation measures and focus.

Key to strategy

1 Growth
2 Results
3 Digitalisation
4 Solid foundations

4. DISRUPTING THE MARKET

Change management and digitalisation

Description
As the Group continues its evolution as a disruptor in the B2B energy space, there is increased need for digitalisation and change. Business customers, as in the domestic market, need their energy supplier to move with the times and provide slick and easy access to all areas of their account from sign-up to renewal. There is a risk that the Group's falls behind its competitors or wastes resources in this area.

Mitigation
The Group has brought in some new talent over the last two years, including various executive management, senior leadership roles, development and change management roles, and data science and business intelligence positions. This ensures continued forward momentum on the Group's digitalisation programme.

Processes and procedures have evolved to ensure the Group stays on top of change management and in particular digital transformation. Regular project meetings, embracing agile working techniques, are held to ensure all change projects get the focus they deserve. Project plans and clear scope documents are put in place at the outset and the relevant senior manager and executive are held accountable for progress and timely delivery.

Strategy 1 3 **Change** New risk

5. COMMODITY TRADING

Volatility in the commodity market

Description
The energy commodity market has continued to be extremely volatile during 2020. The downtrend experienced in late 2019 continued in H1 2020 and was worsened by the "demand shock" events linked to the coronavirus pandemic and the associated lockdowns (the impact on Group profitability is discussed as part of the Finance Review). In late 2020 and early 2021 the Group had seen steep increases in commodity prices. Such increases reduce the mark-to-market exposure and credit line risk associated with a falling commodity market, reducing liquidity risks. However, a rising market can provide a profitability risk if the Group is under-hedged or experiences any delays in the customer registration and onboarding process.

Mitigation
The SmartestEnergy trading arrangement is now well established and has helped significantly reduce the impact of market volatility on the Group and in particular the Group's cash reserves.

The Group has been automating processes across the business, particularly over customer onboarding to ensure that contracts are processed from sale to commodity trading quickly and efficiently. Such efficiency minimised the exposure to unexpected price movements.

The Group continues to monitor its forward hedging commitment under a detailed risk mandate, to mitigate its risks to volatile commodity markets.

Strategy 4 **Change** No change

Key to strategy

1 Growth
2 Results
3 Digitalisation
4 Solid foundations

6. COVENANT BREACH

Description

The trading agreement with SmartestEnergy Limited helps reduce the risk of cash calls arising from a falling commodity market. It does, however, introduce a separate additional risk to the Group. As part of the agreement, the Group has provided certain security and commitments to SmartestEnergy and is required to adhere to and report on a number of covenants on a monthly basis. Any covenant breach could have serious implications on the Group's ability to continue to trade if corrective action is not taken in a timely fashion.

Mitigation

The Group has an experienced management team and commodity trading team. Management will continue to forecast Group performance throughout the period of the trading arrangement to enable early sight of any potential issues that may lead to a possible covenant breach. There are a number of levers available to the Group to avoid a potential covenant breach, including slowing growth rates or reducing discretionary spend.

No such slow down or reduction in spend is forecasted by management and the relationship with SmartestEnergy Limited remains strong.

Strategy 4 | **Change** No change

7. RELATIONSHIP WITH REGULATORY BODIES

Description

The Group is a licensed gas, electricity and water supplier, and therefore has a direct relationship with the various regulatory bodies within the industry. In particular, the Group is regulated by Ofgem and Ofwat. If the Group fails to maintain an effective relationship with these regulatory bodies and comply with its licence obligations, it could be subject to fines or even the removal of its respective licences.

As an AIM company, the Group is also subject to certain financial regulations and regulatory bodies, such as the AIM Rules for Companies and the Financial Conduct Authority ("FCA").

Mitigation

The Group has a management team and senior staff with extensive industry experience and broad experience in dealing effectively with the various regulatory bodies. The Group has an internal compliance team that focuses, amongst other things, on energy industry regulatory compliance and any ongoing regulatory communication that the Group is involved in. The Group monitors and takes appropriate actions in relation to complying with regulation.

The Board is committed to ensuring that the Group remains compliant with all industry and AIM regulations at all times.

Strategy 4 | **Change** Decrease

MEETING OUR RESPONSIBILITIES

OUR APPROACH

We have developed a four-stage process to assess the key sustainability challenges and to develop effective plans to address these.

ASSESS

Identify, assess and prioritise the key sustainability challenges facing the Group and our stakeholders.

FRAMEWORK

Establish a robust framework focused around the key sustainability priorities for the Group.

MEASURE

Monitor progress against the key measures set within the framework to provide ongoing, evidence-based focus on sustainability.

COMMUNICATE

Ensure effective communication of our strategy and our progress against it to key stakeholders.

Sustainable business energy solutions

The Group is aware we have an important role to play in the future of our planet. Delivering sustainable energy solutions, we aim to accelerate a low carbon future whilst positively impacting on people and communities. We achieve this by providing a range of energy solutions to help businesses across the UK achieve their sustainability objectives. The relationships we build with our employees, communities, customers and partners are essential to help us deliver our ambitions. Our commitment to sustainability is instilled throughout the business and we are constantly reviewing opportunities to improve our approach. Embedding these positive values across our organisation is key to helping us attract, develop and retain the best talent within our organisation.

Our sustainability strategy

To help us fulfil our ambitions, we have further evolved our sustainability strategy. This has been defined in three focus areas: product, planet and people.

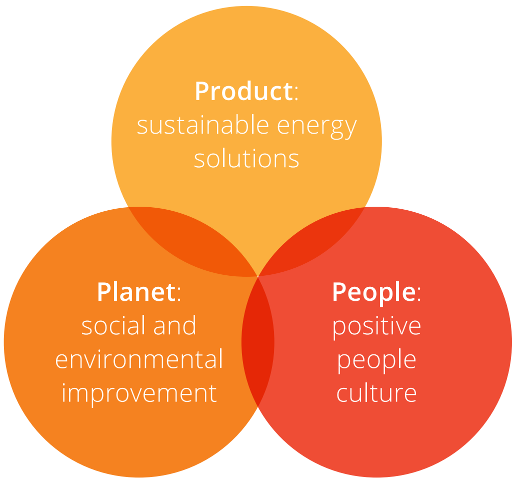
Three pillars:

- **Product** – sustainable energy solutions
- **People** – positive people culture
- **Planet** – social and environmental improvement

Managing our business responsibly

We are committed to operating in a manner that protects the environment and makes a positive contribution to communities in which we operate whilst providing rewarding opportunities for our employees and protecting human rights. We seek to understand and respond to the needs of employees, customers, partners, shareholders and the communities in which we operate. We aim to align our values and strategy with the needs of our stakeholders and use a culture of continuous improvement to deliver against these needs.

The Board works with our executive team to continually review our approach, identifying the environmental and social issues that are most relevant to the Group and which help evolve our purpose and business model.



PRODUCT

Our ambition:
To support businesses in their energy transition, supporting the deployment of lower carbon technologies and the net-zero ambitions of businesses we serve. To continue to develop and innovate our product and service offering to help businesses meet their ESG and environmental objectives.

The Board continually assesses the impact of climate change and wider environmental considerations on its business model and customer offering. The Board develops strategies to assist businesses in the energy transition, including the provision of new technologies which aid the move towards a lower carbon, more local and digitalised energy system. The solutions offered to businesses include:

- Electric vehicle chargers
- Energy efficiency reporting and support
- SMETS2 smart meters
- Green energy

The Board will continually look to increase the proportion of fuel sourced from renewable or low carbon sources of generation, including via the promotion of the Group's green power solutions.

Yü Energy continues to provide an accelerated smart meter roll-out programme to all our eligible customers and has supplied and installed smart meters to hundreds of businesses. This enables customers to actively monitor consumption profiles and trends and effectively reduce consumption. Our smart meter offering will shortly be expanded to include three-phase meters, offering smart energy management to even more businesses.

In addition to smart metering, for those sites on a half-hourly metered supply, through our own power usage report we provide site specific analysis and insight into the energy profile of the building or business. This enables the highlighting of anomalies in electricity usage and provides guidance on areas to consider in increasing the energy efficiency of the site.

PROVIDING GREEN ELECTRICITY

During 2020, the Group made great strides in the green energy market with the launch of our Pure Green energy plan, offering renewable energy with 100% provenance at source from Carno II windfarm in Wales. Within a year of launching this product, nearly 3,000 meters are now supplied with pure green energy.

The Pure Green energy plan also played an important role in the acquisition of Bristol Energy, whose customers were already supplied with 100% green electricity. The Pure Green energy plan ensured that we could stay true to the ethos of Bristol Energy, continuing to provide green electricity to its customers. This included Bristol City Council; being powered by 100% renewable energy was critical to it and our Pure Green plan ensured we were able to offer and deliver this to secure its contract renewal.

100%
renewable energy supplied to Bristol City Council

2,898
meters supplied with pure green energy

400,000
public EV charge points required by 2030

PLANET

Our ambition:

To reduce our environmental impact and have a positive social impact by operating responsibly, minimising our climate impact and supporting the communities in which we operate.

Reducing environmental impact

The Group is well aware of the environmental impact of its own operations. As such we continually review ways in which we can minimise our impact including smart and energy efficient lighting, the installation of EV charge points and recycling.

During the year, new low energy lighting was installed in our Nottingham office together with EV charging facilities. Our new Leicester office will include a whole range of state-of-the-art energy efficiency and sustainability measures including:

- air tightness which is five times as efficient as the statutory requirement;
- high efficiency office lighting with PIR controls in all office areas including daylight dimming;
- low flush volume WCs and low water use spray taps;
- LED lighting in car park areas with external lighting fittings selected to restrict light pollution;
- regionally and responsibly sourced planting and timbers; and
- a target EPC rating of the best practically achievable.

In addition to this, there are a number of measures identified in the approved travel plan to encourage staff and visitors to use sustainable modes of transport to and from the Leicester office.

Operating responsibly

As part of our commitment to operating responsibly we continue to ensure that we meet the highest ethical standards in areas such as GDPR, diversity and inclusion and the Modern Slavery Act.

- We ensure rigorous compliance with the Modern Slavery Act, regularly reviewing our Modern Slavery Policy, conducting risk assessments with our supply base and running training programmes with our teams.
- We are an equal opportunities employer and have a comprehensive training programme on diversity and inclusion for all our teams.
- We are a "Disability Confident Committed" employer, demonstrating our focus on ensuring an inclusive and accessible recruitment process and supporting job opportunities for disabled people.

Throughout the Covid-19 crisis we have provided support and advice for businesses on energy and broader business management and finance. Via our website, social media and email we have signposted the Government support available to businesses, provided advice on managing energy efficiency during lockdown, developed partnerships to provide independent financial advice and developed new energy plans, specifically designed to support businesses with the challenges they face during these uncertain times.

Charitable support

Macmillan Cancer Support is the charity our colleagues voted to support in 2020. Its purpose is to provide physical, emotional and financial support to those affected by cancer. During the year, activities focused on focused on creative ways to raise funds whilst adhering to Covid-19 guidelines.

Over £2,500 was raised for Macmillan through various activities.

£2,583
charitable giving for Macmillan

480
employee training modules completed

PEOPLE – UNLEASHING OUR PEOPLE POTENTIAL

Our ambition:

To continue to develop a dynamic, engaging and inclusive work culture where ambition thrives and our employees feel valued and can fulfil their potential to deliver excellence in business utility supply.

Helping our people thrive

The Group aims to create a dynamic and inspiring culture where ambition thrives, and our people aspire to achieve real change in the business for our customers, the energy industry and the local community.

We continue with our rigorous approach to performance leadership, training and development, supporting colleagues and helping them to be the best version of themselves and to unlock their full potential. Our internal talent programme provides leadership development, coaching, mentoring and technical training and forms part of our future leaders pipeline.

Evolving our culture

We have continued to evolve our culture positively, allowing greater levels of collaboration. Consequently, the business has been able to deliver multiple projects right first time, including the two B2B acquisitions.

The evolution of our culture has been more important than ever due to Covid-19. It has allowed us to adapt working practices during the pandemic, effectively employing technology and flexible working practices to continue delivering high levels of service throughout.

Colleague engagement

We continue involving and listening to our colleagues across the organisation to create the right conditions for them to be their best each day. We also hold employee engagement surveys, the results of which are critical to the development of the organisation by bringing new and innovative ideas into Yü. During 2020 our colleague engagement score continued to improve, reaching 71%.

The vast majority of employees stated that:

- they felt recognised and valued;
- they rated the business facilities positively; and
- they rated the business culture positively.

> **WE SUCCESSFULLY ADAPTED WORKING PRACTICES THROUGHOUT THE PANDEMIC.”**

69% male

31% female

33 years – average age

111 average number of employees during the year

71% employee engagement rate

OUR VALUES

Customers
We are passionate about our customers and strive to meet or exceed their expectations on every experience.

Integrity
We are trusted and accountable to uphold the highest standards of integrity in all of our actions.

Teamwork
We work together seamlessly across boundaries to meet the needs of our customers and to help our Company win.

Innovation
We use our imagination to drive innovation through a continuous learning mindset.

SUPPORTING OUR TEAMS THROUGH COVID-19

Supporting job creation and career development

As part of our people strategy, the business has partnered with local universities in Nottingham and Leicester to offer placements to students and create a diverse talent pipeline for the business. This talent pipeline has been a huge success for the students, universities and the business by developing individuals with skills that they are able take into future career opportunities. Our team includes apprentices, placement students and recent graduates, making up nearly 15% of our headcount as part of our commitment to developing our team and building rewarding careers.

Our successful apprenticeship and student placement programmes have formed an important pipeline of talented individuals. The above approach has also led to us attract and retain placement students after their graduation and these individuals have hit the ground running. 100% of individuals that completed the apprenticeship programme have been offered permanent full-time roles, whilst our student placement programme has seen us partner with local universities to provide one year placements in marketing, HR and commercial for the third year running. During 2020 we recruited seven apprentices and were able to offer nine internal promotions as part of our internal talent pipeline. The Group plans to further enhance the university collaboration as we develop our innovation hub in Leicester.

Fairly rewarding our people

We ensure our teams are fairly rewarded. All our people are paid above the Living Wage alongside a comprehensive package of benefits and support for employees. Our rigorous approach to performance leadership delivers fairness, affordability and consistency in our people management and reward.

With the onset of the Covid-19 pandemic, we responded swiftly to provide continuity of service and smooth operational running of the business whilst ensuring the safety of our employees.

In advance of the first lockdown, we successfully migrated all members of staff to home-working. Our agile approach ensured we were quickly able to deploy the appropriate technology and adapt our ways of working to provide our teams with the tools and support needed for successful remote working.

100%
working from home when lockdown announced

24/7
employee helpline introduced

9
internal promotions

7
apprentices recruited

Throughout the pandemic we have employed an agile approach, adapting to the conditions with a balance of office and remote working whilst ensuring colleagues remained motivated, supported and able to collaborate effectively to drive the continued operation of the business.

The Group is acutely aware of the potential impact of Covid-19 on colleagues' mental health. In response to this we have supported our colleagues through regular team check-ins and provided internal and external resources to help individuals thrive and stay connected through this challenging period.

For example, we provide a comprehensive programme of wellbeing support for our colleagues. We recognise the importance of mental health in the workplace, as demonstrated by our programme of training and resources. Employees are also able to access one-to-one counselling via our Employee Assistance Programme.

ENGAGING WITH STAKEHOLDERS

In accordance with section 172 of the Companies Act 2006, each of our directors acts in a way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole.

Our directors have regard, amongst other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the Company's employees;
- need to foster the Company's business relationships with suppliers, customers and others;
- impact of the Company's operations on the community and environment;
- desirability of the Company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the Company.

The directors ensure a focus on quality management, ensuring high standards of conduct and sound business ethics, including clear and well-communicated Company values and policies. The Group's governance frameworks, as referenced in the corporate governance section of this annual report from page 36, provide further information on how the directors ensure appropriate consideration for such decisions.

Read more at yugroupplc.com

HOW WE ENGAGED IN 2020

Stakeholder	Type of engagement
OUR SHAREHOLDERS	» Regular meetings and presentations following key events and results announcements in the year » Online presentations at key times of the year (AGM/annual results) » Responding via investor relations email
OUR CUSTOMERS	» Offered help and advice to SME customer base during times of uncertainty including website FAQs, new products, digital marketing campaigns and email communications » Digital marketing campaigns to drive brand awareness among disengaged SMEs and to engage with our customers on our range of products and services » Customer surveys to gather feedback on satisfaction levels and customer needs to shape future product and service offering
OUR PEOPLE	» Monthly "Yü-MAD" meetings to celebrate achievements and keep employees informed » Newsletters and Company-wide updates » Quarterly employee engagement and "you talk, we listen" feedback » Employee feedback sessions, including monthly one-to-one meetings, bi-annual development reviews and team briefings
OUR COMMUNITIES	» Regular CSR activities and fundraisers for local and national charities » Supporting career development in local communities and engaging with local educational institutions to offer student placements and apprenticeships

Board activities
Various Board reviews have taken place, including the appointment of new advisers and regular review of people plans.
More on page 43

Outcomes	Planned for 2021
» Appointment of new NOMAD, broker and financial PR consultants to support new activities » Q&A support for AGM engagement (held remotely in response to Covid-19 lockdown) » First blogs to engage potential investors	» Increased visibility of executives on media and PR channels » Full and interactive AGM (if possible under lockdown restrictions) » Improved plc website to be implemented
» Introduced new Agile and Assist energy plans designed to meet the changing needs of customers during Covid-19 » Regular Covid-19 customer support communications including emails, FAQs and guides » New partner portal introduced – providing a simple digital channel to engage new SME customers » New marketing automation engine implemented to enhance digital customer engagement » Maintained high standards of customer service and three-ring pick-up policy to ensure customer experience is at the heart of everything we do	» New customer portal introduced to allow our customer base to benefit further from the "Yütility Simplicity" approach » Increased range of automated marketing techniques to further support customers on energy efficiency and cost saving initiatives » Continued support of businesses through the Covid-19 pandemic » Digital campaigns to capture attention of disengaged SMEs
» Improved employee engagement during the year with a real sense of it being "our Company" » Implemented career pathways to support talent development in response to engagement survey feedback, with nine internal promotions to date » Package of measures to support colleagues working remotely during Covid-19, including wellbeing support programmes, regular video check-ins and a new and improved Employee Assistance Programme	» Annual whole business event to recognise team and colleague of the year. This will further increase recognition by celebrating people's achievements » Regular business-wide briefings from the executives to increase engagement with and accessibility to the senior team » Continued support and engagement with colleagues via focused listening groups and leadership workshops » Launch of new Knowledge Base to enhance knowledge capture and upskill teams
» Raised over £2,500 during the year for our chosen charity, Macmillan Cancer Support, helping to provide physical, emotional and financial support to those affected by cancer » Seven apprentices recruited, and student placements offered in marketing, HR and commercial functions	» Continued community activities alongside fundraisers to help make a difference » Supporting a low carbon future via the continued expansion of EV charge points and our Pure Green plan offering 100% renewable energy

The strategic report on pages 1 to 35 was approved by the board and signed on its behalf by:

Paul Rawson
Chief Financial Officer
30 March 2021

AN EXPERIENCED LEADERSHIP TEAM

Robin Paynter Bryant
Independent non-executive Chairman

A R

Skills and experience

Robin has more than three decades of experience in corporate finance, with a strong background in utilities. After joining City merchant bank Hill Samuel & Co. Ltd. in 1983 to work on asset, liability and treasury risk management for utilities and large companies, he worked at financial institutions including LCF Edmond de Rothschild, Credit Lyonnais Securities, Daiwa Europe and the Industrial Bank of Japan/Mizuho Corporate Bank. With international experience across water, electricity, and oil and gas, he has advised companies such as Severn Trent Water Plc, Endesa SA, Italgas SpA, and Centrex European Energy & Gas AG. He has previously served as a non-executive director of Ofwat (the water services economic regulatory authority) and Prime International Investments Group Plc and as a board member of London Merchant Bank Ltd. Robin joined Yü Group in January 2020.

External appointments

Robin is currently a non-executive director and deputy chairman of Unity Link Financial Services Limited.

Bobby Kalar
Chief Executive Officer

Skills and experience

Bobby has a degree in electrical and electronics engineering, and started his career working as an electronics engineer at Marconi PLC. In 2000, having moved to London to work for COLT Telecommunications, he headed a team of engineers involved with the bid and installation of the congestion charge scheme in London on behalf of the Mayor of London's Transport for London initiative. Following this major project Bobby invested in the care home sector, eventually owning and running a group of four care homes. In 2013 he sold the care homes so that he could focus on the market opportunity presented by the deregulation of the energy sector. He is the sole founder of the Group.

External appointments

None.

Paul Rawson
Chief Financial Officer

Skills and experience

Paul has a degree in accountancy and is a qualified chartered accountant (ICAEW) with a history in financial and commercial management in high growth businesses. In 2001 he left KPMG to join the energy industry in what is now the Engie Group, where he held various senior financial and general management positions. These ranged from the financial and commercial aspects of a £100m investment project to generate and supply energy across the London Olympic Park to a number of energy related M&A transactions. Paul was latterly responsible, as divisional CEO, for energy solutions spanning the retail supply of gas and electricity to businesses, and the provision of low carbon generation, energy Software as a Service and smart building technologies. Paul joined Yü Group in September 2018.

External appointments

None.

COMMITTEE KEY

A Audit Committee

R Remuneration Committee

C Committee Chairman

John Glasgow

Independent non-executive director

A R

Skills and experience

John has over 40 years' experience in engineering, operations, trading and IT across the energy industry. Senior roles have included head of Powergen technical audit and head of Powergen's energy management centre, covering energy trading and power plant portfolio optimisation, and general manager of Powergen Energy Solutions. Latterly, he was in board roles including head of strategy at the establishment of the new E.ON Energy Services business, E.ON director of new connections and metering and director of operations and asset management at E.ON Central Networks. During this time John was also a board member of the Energy Networks Association and a member of the DECC Energy Emergencies Executive Committee ("E3C"). Upon leaving E.ON John became managing director of Sterling Power Utilities Ltd until autumn 2013. Subsequently John has carried out a number of technical consultancy and business advisory assignments across the industry.

External appointments

John is also a board member of the St Modwen Environmental Trust.

Anthony (Tony) Perkins

Senior independent non-executive director

A R

Skills and experience

Tony has a degree in accountancy and is a Fellow of The Institute of Chartered Accountants in England and Wales. He left BDO in 2019 where he was a senior audit partner for many years, having joined the firm in 1980 and becoming a partner from 1990. He has acted for many fully listed and AIM companies in the professional services, natural resources, technology, manufacturing and retail sectors. He has extensive experience in financial, governance and risk management. He has advised on corporate strategy, transactions and expansion of businesses in the UK and internationally. Tony has held senior management positions at BDO as a member of the firm's leadership team including head of its London operations and national head of audit. Tony joined Yü Group in January 2020.

External appointments

None.

BOARD SKILLS

Strategy

General management

High growth

Business consulting

Digital change

Accounting

Commodity trading

Regulatory

Health and safety

AGILE, RISK ASSURED GROWTH WITH GREATER MATURITY IN GOVERNANCE

Robin Paynter Bryant
Chairman

Dear shareholder,

The Board is pleased that AIM concluded its investigation into the issues of 2018 during 2020. These were self-identified and fully disclosed by the Board at the time and are now entirely behind the Group.

Following my appointment to the Board of directors in January 2020 as your independent non-executive Chairman I am pleased to provide a report on the further evolution and development of our governance and risk management frameworks as we now prepare to enter a period of accelerated and sustainable growth.

A mature and sound governance framework supported by effectively embedded risk assurance

The implementation of good governance requires an effective and balanced combination of people, processes and structures.

This framework, put in place at all levels throughout the Group, enables the direction, management and monitoring of our activities. It ensures and assists in the achievement of our ambitious growth objectives as well as the meeting of our responsibilities to our customers and stakeholders.

Good risk management is not just about sophisticated tools, registers and appropriate structures although these are some of the key elements in our arsenal. It is also dependent upon culture, open discussion, actions, ownership and accountability. Embedding the correct ethos throughout our business is best achieved through fostering an attitude of mind that actively encourages optimal and "best-in-class" behaviours.

Setting this tone at Board level, and ensuring that it is transmitted throughout the organisation, involves establishing and nurturing multiple channels of both formal and informal communication. These need to be maintained without prejudice to the agility required of us as a leading, market-disrupting, high growth business.

The Board conducts thorough periodic reviews of the Group's internal governance framework. Annually it quantitatively and qualitatively measures the Board's own effectiveness to enable continuous and "benchmarked" improvement.

Together with the ExCo we regularly review and update internal procedures and policies in order to achieve demonstrable and robust approaches to managing risk and opportunity, at all levels, throughout the business.

Composition of the Board and ExCo

Constructive challenge and engagement between experienced and committed colleagues

A rebalancing of the Board was implemented during H1 2020 to promote a more mature and robust governance framework and to ready the Group for the scaling of its activities.

31 December 2020

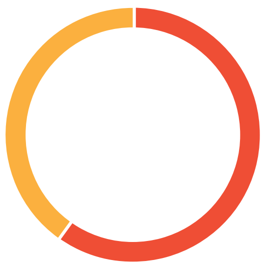
BOARD COMPOSITION

1 Independent non-executive Chairman
2 Independent non-executive directors
2 Executive directors

TENURE

2 More than three years
1 Between one and three years
2 Under one year

SECTOR EXPERIENCE



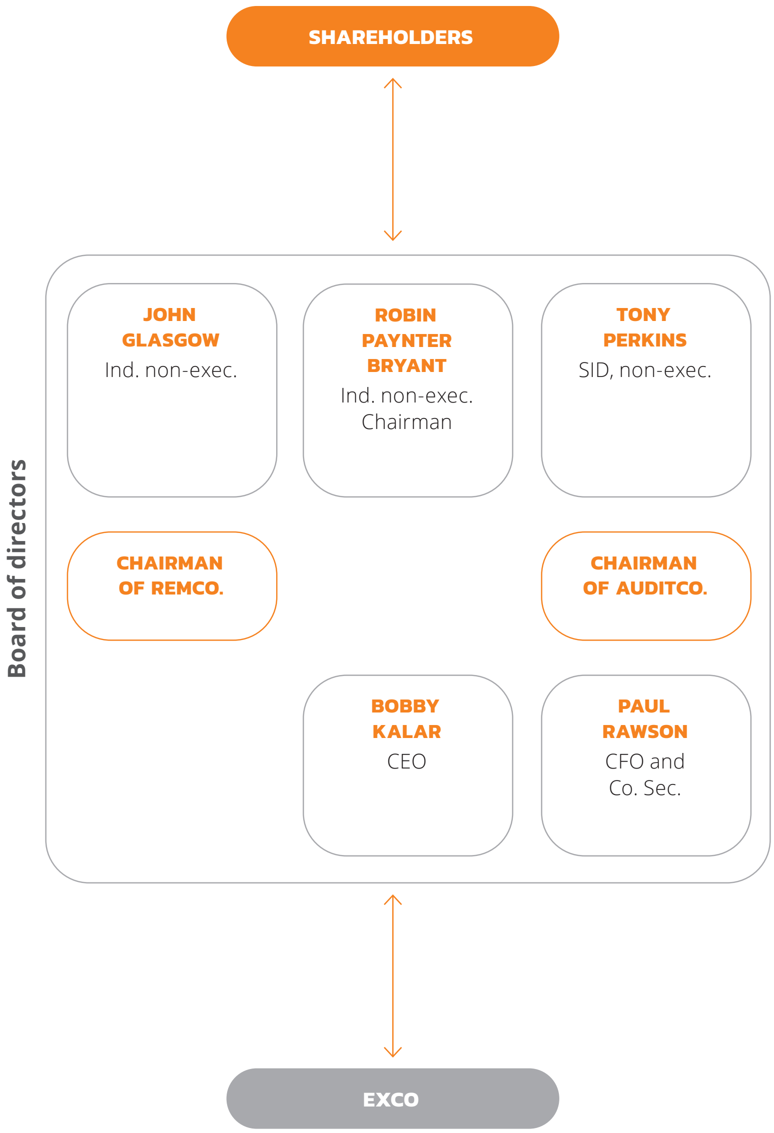
3 Previous energy sector experience
2 Other sector experience

GOVERNANCE OVERVIEW

In keeping with best practice in modern governance, the Board is now comprised of three non-executive directors and two executive directors.

My experience with UK and international energy and utility companies, as a non-executive board member at Ofwat (the economic regulatory authority for water) and as a corporate finance director in the City, has given me a good understanding of the sector. I would like to thank my colleagues for their collegiate welcome to the Group and for their unstinting support as we have "gelled" into an effective and enthusiastic team.

In January 2020 I welcomed the appointment of Tony Perkins (an ex-senior partner at BDO LLP of 20 years' standing, where he was head of London audit, and previously head of national audit) as non-executive senior independent director and Chairman of the Audit Committee. Tony brings invaluably robust financial acumen and adds a considerable depth of multi-sectorial experience to our business.



Composition of the Board and ExCo continued

Constructive challenge and engagement between experienced and committed colleagues continued

Under Tony's active chairmanship the Audit Committee has seen positive developments in its areas of activity, not least in supporting the ability to conduct frequent and sophisticated stress-testing analyses of risks posed by the pandemic. These activities have included mentoring and assisting our regular ExCo-run risk forum in the further development of a robust risk and opportunity assurance framework which has facilitated greater clarity in strategic Board decision making.

With previous extensive senior experience gained at Powergen and E.ON, John Glasgow continues to serve as an independent non-executive director and Chairman of the Remuneration Committee. This year John has been instrumental in overseeing the review and implementation, together with our external professional advisers and Navaz Dean (HR Director), of a comprehensive, well-crafted and management-stretching set of targeted incentive schemes ranging from LTIPs to the shop-floor. These are now fully aligned to their twin goals of incentivised retention and ensuring optimal outcomes for shareholders.

My fellow Independent NEDs have demonstrated the highest levels of commitment in reinforcing the Board's "scaling" and "mentoring" capabilities as the Group now relaunches into sustained, sustainable growth.

Two Board members are drawn from amongst the executive directors.

One is the CEO and majority shareholder, Bobby Kalar, whose indefatigable drive and strategic vision are also complemented by that of fellow executive Board member and CFO, Paul Rawson (ex-KPMG and Engie), who also serves as Company Secretary. Paul, since his appointment in late 2018, has been instrumental in effecting the Group's "reset". Bobby and Paul's roles in the making and profitable integration of two important competitor book acquisitions and their roles on our Board Acquisitions Committee this year underscored exceptionally hard driving contributions to our now well-established and positive trajectory.

Our Executive Committee ("ExCo") reports to the Board via and through the CEO as ExCo Chairman, assisted by the Deputy Chairman of the ExCo, Paul Rawson. This strong and experienced management team has been re-engineered and is tasked with implementing the business plan as agreed by the Board. The ExCo, with Bobby Kalar leading a seasoned team to deliver a stretching set of targets, consists of various Executive Management Team members. It drives the day-to-day activities of the business reporting to and seeking strategic and other counsel from the Board as a whole.

Group seeks to strike the correct balance between maintaining a high level of agility in responding rapidly to changes in the internal and external environment without losing momentum or prudent managerial control. We continuously aim to improve our processes accordingly.

Stakeholder engagement and feedback

The Board of directors makes itself available to stakeholders as appropriate. Such stakeholders range from our shareholders to regulators (including financial and utilities authorities), nominated advisers, customers, partners and staff.

In keeping with last year's statement of intent to enhance and improve our communications with the market and our investors, we have appointed a new external nominated adviser and AIM broker and new corporate and financial communications advisers in order to complement our excellent in-house capabilities. These moves are part of a programme to widen and deepen the Group's relationships with our investor, banking and commercial audiences. We are aiming at creating a more engaged environment for our partners and stakeholders in order to accelerate the meeting of our objectives for further digitalisation and scaling-up.

There is a clear and documented relationship with Bobby Kalar, who founded the Group and remains majority shareholder as well as a Board executive director and CEO. The maintenance of formal and agreed distinctions and responsibilities brings clarity to the definition of roles amongst Bobby (also Chairman of the ExCo), all other members of the Board and me. It is key to managing these varied and multiple interactions. Bobby Kalar has demonstrated, having very actively promoted a refreshed set of Board dynamics, a keen understanding of the governance requirements of a growing business. This in turn has greatly assisted the Board and me in reconciling the potential tensions occasioned by his "dual hatting" of roles within the enterprise.

In relation to shareholder engagement, I will continue to ensure that the Board and I represent the interests of all the shareholders.

Our section 172 statement on page 34 provides further information on engagement with our stakeholders

Summary: entering a growth phase with proven battle-tested processes and greater maturity in governance

Significant confidence may be taken by shareholders from the Group's maturity in having seamlessly integrated two new customer books into the operations of the Group. These both had short payback periods and were swiftly executed and fully integrated within a short space of time. They are already delivering respectably high returns on investment.

Despite the pandemic I believe the actions taken and our continual process of change and improvement as shown above have very considerably improved our future prospects.

The Group now embarks on a scale-up phase with a greater maturity of approach and a justified confidence in its processes.

We retain the agility and entrepreneurial focus of a disruptive challenger brand. Together with our ingrained customer centric approach and a now established maturity of governance, the necessary assets to enable our taking advantage of a £35bn addressable market opportunity are in place.

I look forward to providing further updates to shareholders in due course.

Robin Paynter Bryant
Chairman
30 March 2021

EXECUTIVE MANAGEMENT TEAM

The Executive Management Team are supported by a highly committed, experienced and talented wider leadership team.

Bobby Kalar
Chief Executive Officer

As founder and majority shareholder of the business, Bobby is committed to developing and delivering Group strategy to generate significant shareholder value. His entrepreneurial passion and relentless drive is focused on utilising a combination of digital tools and excellent customer service to disrupt the market.

Paul Rawson
Chief Financial Officer

Paul has significant finance, audit and M&A experience, gained in high-growth businesses with a deep knowledge of the energy sector. Paul is highly committed to driving the Group financial framework to deliver strong growth, EBITDA improvement and effective cash management.

Simon Smith
Sales & Marketing Director

Simon has a strong track record of creating high-performing teams and delivering above-target sales growth through innovative solutions across a range of industries including energy, telecoms, procurement and IT. Simon was previously the Commercial Director of Utilyx Ltd (now part of Mitie PLC), a supplier of energy procurement and price risk management services to the corporate sector. Since joining the Group, Simon has delivered a new digital sales and marketing strategy, including new sales channels, leading to strong organic growth.

Jason Prothero
Commercial and Digital Transformation Director

Jason is a highly experienced commercial, operations and digital transformation executive with extensive knowledge of the energy sector gained across a broad range of roles. This includes over 15 years at SSE covering Operations, M&A and transformation; more recently, as Director of Technology and Transformation he has accomplished major achievements in the digitisation of the SSE business.

Navaz Dean
HR Director

Navaz has gained a wealth of experience across a wide range of senior HR roles at Boots. His passion for people development at all levels of organisations has previously been applied in developing high performing team cultures alongside significant organisational change projects. Navaz has been instrumental in the recruitment of talent to the Group, ensuring clear strength in depth throughout the organisation, creating a winning culture and developing people to deliver the Group's ambition.

Supported by a talented wider leadership team

To meet the Board's ambition to scale the Group rapidly over the medium term, the Executive Committee are supported by heads of department, appointed through talent development or through hand-picked external recruits. Our leadership talent spans functions from marketing, sales development, customer relationship management, industry operations and contract management; through to digital, change management, commodity trading, financial control and audit.

BEST PRACTICE GOVERNANCE

Statement by the directors on compliance with the Code of best practice.

The Board seeks to follow best practice in corporate governance appropriate to the Company's size and in accordance with the regulatory framework that applies to AIM companies. The Board has decided to apply and adhere to the Quoted Companies Alliance ("QCA") Code.

The QCA Code ensures a worthwhile, effective and flexible governance model. It encourages positive engagement between the Company and all its stakeholders. Good governance is one of the foundations of a sustainable corporate growth strategy. The QCA Code is constructed around 10 broad principles. The appropriate application of these principles will ensure that good governance practices are in place. Details of how the Group is applying those principles can be found on the investor relations section of the Company website at www.yugroupplc.com.

The Board

The Group is controlled through a Board of directors which comprises a non-executive chairman, two executive directors and two additional non-executive directors, of which one is senior independent director. The chairman continues to be Robin Paynter Bryant, who was appointed on 8 January 2020. The Chief Executive Officer continues to be Bobby Kalar.

All three of the non-executive Board members, being Robin Paynter Bryant, Tony Perkins and John Glasgow, were considered to be independent throughout 2020.

The Board composition was revised during early 2020 as disclosed in the 2019 annual report. On 8 January 2020, Robin Paynter Bryant replaced Ralph Cohen as independent non-executive Chairman after a comprehensive and independent appointment process.

On the same date, Tony Perkins was appointed as senior independent director, being a new role on the Board. The role of senior independent director provides a further governance level to ensure appropriate governance and stewardship over the activities of the Board.

Garry Pickering, the previous Chief Operating Officer of the Group, resigned from the Board on 7 February 2020. Garry remains in his key leadership role, outside the Board, as Trading Services Director managing the Group's forward commodity hedging activities.

The Board operates both formally, through Board and Committee meetings, and informally, through regular contact among directors and members of the Executive Management Team. There is a schedule of matters that are specifically referred to the Board for its decision, including approving the interim and annual financial results, setting and monitoring strategy and examining business expansion possibilities. It is a requirement that the Board be supplied with information in a timely manner, in a form and quality appropriate to enable it to discharge its duties.

The directors can and may freely obtain independent professional advice at the Group's expense in the performance of their duties as directors.

Board Committees

The Board Committees comprise the Audit Committee and the Remuneration Committee. Ad-hoc committees may be appointed to deal with nominations or corporate acquisitions, as instructed by the Board from time to time.

Audit Committee

During 2020 the Audit Committee comprised three members, all of whom are independent non-executive directors. Tony Perkins, senior independent director, has been Chairman of the Audit Committee following his appointment to the Board on 8 January 2020. The other members are John Glasgow and Robin Paynter Bryant, who was also appointed 8 January 2020. From 1 January 2019 to 8 January 2020 the Audit Committee comprised two members, being Ralph Cohen (previous Chairman of the Audit Committee) and John Glasgow.

The Group's external auditor, along with the wider Board, is invited (as appropriate) to attend the Audit Committee meetings.

The Audit Committee considers the internal control, accounting and reporting of the Group, and monitors the risk framework of the Group.

Remuneration Committee

The Chairman of the Remuneration Committee is John Glasgow, who is an independent non-executive director. Tony Perkins and Robin Paynter Bryant are the other independent non-executive members. From 1 January 2019 to 8 January 2020 the Remuneration Committee comprised two members, being John Glasgow and Ralph Cohen.

The Committee meets periodically as required and is responsible for overseeing the policy regarding executive remuneration whilst the Board as a whole is responsible for approving the remuneration packages for the Group's Executive Management Team and for the remuneration of non-executive directors. The Committee is also responsible for reviewing incentive schemes and for reviewing the proposed packages of new appointments to the Executive Management Team.

Nominations Committee

As the Board is small, there is currently no separate standing Nominations Committee. This will be reviewed as the Group and Board develop over time. The appointment of new directors is considered by ad-hoc committees of the Board, typically led by the non-executive directors, and final decisions rest with and involve the Board as a whole.

Other committees

The Board establishes other ad-hoc sub-committees as required. During 2020, the Board established M&A sub-committees so as to review potential acquisitions identified by the executive directors.

BOARD CONSIDERATIONS IN THE YEAR

Quarter	Key matters
2020	
Q1	» Board appointments: appointment of Robin Paynter Bryant and Tony Perkins as directors and resignation of Garry Pickering and Ralph Cohen » Trading update » 2020 bonus incentive plan and consideration of Long Term Incentive Plan » Business interruption plan in the context of Covid-19 » Competitive positioning
Q2	» Consideration of the annual audit findings via the Audit Committee » Approval of the 2019 annual report » Risks and uncertainties surrounding the impact of the Covid-19 pandemic and appropriate mitigation action plans » Strategic positioning and vision » M&A strategic review » Investor engagement strategy and AGM preparation » Risk and risk appetite review » Digital roadmap and investment in new Leicester innovation centre » Board objective setting » Approval of key terms for new Long-Term Incentive Plan
Q3	» Appointment of new a nominated adviser and broker, and a new financial PR adviser » Review of AIM censure » Approval of acquisition of Bristol Energy's business-to-business customer book and related assets » Trading update and 2020 interim results » Sales strategy review » Update following review of reserved matters for the Board, the terms of reference for sub-committees, and various sub-policy approvals
Q4	» Award under new Long-Term Incentive Plan » Approval of acquisition of a Midlands based business-to-business customer book and related assets » Approval of the Group's annual risk mandate for commodity trading » Director dealings » Appointment of all directors to subsidiary entity boards » Update of delegated levels of authority » Post-acquisition look-back and review » Approval of the 2021 budget and business plan, and associated strategic KPIs » Review of debtors and credit control performance » Planning of the 2021 audit
2021	
Q1	» Finalisation of management short-term incentive for 2021 » People review and engagement planning » Completion of purchase of new Leicester property » Forward business planning and risk analysis on liquidity » Consideration of the annual audit findings via the Audit Committee » Approval of the 2020 annual report

Risk management and internal controls

The directors are responsible for the Group's system of internal control and for reviewing its effectiveness, while the role of management is to implement Board policies on risk management and control. The Board has continued to implement various improvements to the internal control environment operating within the Group throughout 2020.

The Audit Committee also reports to and considers the risk assurance framework of the Group on behalf of the Board.

It should be recognised that the Group's system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Group operates a series of controls to meet its needs. These controls include, but are not limited to, a clearly defined organisational structure, written policies, a comprehensive annual strategic planning and budgeting process and detailed monthly reporting. The annual budget is approved by the Board as part of its normal responsibilities. In addition, the budget figures are regularly reforecast to facilitate the Board's understanding of the Group's overall position throughout the year and this reforecast is reported to the Board in addition to the reporting of actual results during the year.

The Audit Committee receives reports from management and the external auditor concerning the system of internal control and any material control weaknesses. Any significant risk issues are referred to the Board for consideration.

Read more at yugroupplc.com

Shareholder communications

The Chief Executive Officer and the Chief Financial Officer regularly meet with existing shareholders and potential investors to foster a mutual understanding of objectives. In particular, meetings with analysts and shareholders are held following the announcement of results. Feedback from these meetings and market updates prepared by the Company's nominated adviser are presented to the Board to ensure it has an understanding of shareholders' views. The Chairman and the other non-executive directors are available to shareholders to discuss strategy and governance issues.

The directors encourage the participation of all shareholders, including private investors, at the annual general meeting. The results of the polls and proxy votes on each resolution are declared shortly after the meeting by means of an announcement on the London Stock Exchange and via the Company's website. The annual report and accounts are published on the Company's website, www.yugroupplc.com, and can be accessed by shareholders.

Our people

A significant part of the foundations of the Group has been the continued investment in building an experienced team capable of taking the Group to a new level of scale. Such investment involves ensuring a suitable mix of industry knowledge and experience, with the right cultural fit to match the Group's disruptive and challenger mindset.

During 2020 average staff numbers reduced from 141 to 111 people reflecting increased operational efficiency as the Group reprioritised certain spending as part of its revised and ambitious strategy to automate further processes.

"EMBARKING ON A SUSTAINABLE SCALE-UP PHASE WITH SOUND GOVERNANCE AND RISK-ASSURANCE FRAMEWORKS."

Review of matters

The Board of directors has a forward calendar of matters requiring specific attention throughout the year and considers ad-hoc elements as required.

In addition to specific matters during the annual cycle, or such ad-hoc considerations, the Board also has a base standing agenda incorporating:

- Board planning and administration;
- Chief Financial Officer update, including management accounts commentary, cash flow and covenant compliance reporting, providing financial forecasts and reviewing strategic key performance indicators;
- Chief Executive Officer update, including the ExCo performance and any matters raised by the ExCo, together with feedback on strategy implementation and growth or other key business objectives; and
- updates from the Audit Committee (including risk assurance) and the Remuneration Committee.

Read about risks on page 24

Read about our people on page 32

ATTENDANCE AT MEETINGS

● Meeting attended ◉ Not applicable ○ Not a member of the Committee

Total number of meetings Main Board – 10 Ad hoc – 4 Audit Committee – 2 Remuneration Committee – 7

	Jan	Mar	Apr	May	June	July	Sept	Oct	Nov	Dec
Main Board meeting										
Robin Paynter Bryant	●	●	●	●	●	●	●	●	●	●
Tony Perkins	●	●	●	●	●	●	●	●	●	●
John Glasgow	●	●	●	●	●	●	●	●	●	●
Bobby Kalar	●	●	●	●	●	●	●	●	●	●
Paul Rawson	●	●	●	●	●	●	●	●	●	●
Garry Pickering	●	◉	◉	◉	◉	◉	◉	◉	◉	◉
Ralph Cohen	◉	◉	◉	◉	◉	◉	◉	◉	◉	◉
Ad-hoc Board meetings*										
Ralph Cohen	●	◉	◉					◉		
Robin Paynter Bryant	◉	●	●					●		
Tony Perkins	◉	●	●					●		
John Glasgow	●	●	●					●		
Bobby Kalar	●	●	●					●		
Paul Rawson	●	●	●					●		
Garry Pickering	●	◉	◉					◉		
Audit Committee										
Tony Perkins		●								●
John Glasgow		●								●
Robin Paynter Bryant		●								●
Bobby Kalar		○								○
Paul Rawson		○								○
Garry Pickering		◉								◉
Ralph Cohen		◉								◉
Remuneration Committee										
John Glasgow	●	●●				●		●		●●
Tony Perkins	◉	●●				●		●		●●
Robin Paynter Bryant	◉	●●				●		●		●●
Bobby Kalar	○	○○				○		○		○○
Paul Rawson	○	○○				○		○		○○
Garry Pickering	○	◉◉				◉		◉		◉

Ralph Cohen and Garry Pickering resigned from the Board and relevant sub-committees in January 2020 and February 2020 respectively; Robin Paynter Bryant and Tony Perkins were appointed in mid-January 2020.

* Four short ad-hoc Board meetings were held dealing with specific matters such as the appointment of the new directors.

MAINTAINING ROBUST OVERSIGHT

Tony Perkins
Committee Chairman
(appointed 8 January 2020)

MEMBERS

- **Tony Perkins** (incoming Committee Chairman – appointed 8 January 2020)
- **Ralph Cohen** (outgoing Chairman – resigned 8 January 2020)
- **John Glasgow**
- **Robin Paynter Bryant** (appointed 8 January 2020)

Membership and scope of the Audit Committee

From 8 January 2020 until the date of this report the Audit Committee comprised three members (who are all non-executive directors) being Tony Perkins, as Chairman of the Audit Committee, and John Glasgow and Robin Paynter Bryant as members. All Committee members are considered independent. The Group's external auditor, along with the wider Board, is invited to attend Audit Committee meetings as applicable.

Ralph Cohen, previous Chairman of the Group and of the Audit Committee, stepped down on 8 January 2020. To 8 January 2020, the Audit Committee comprised two members, being Ralph Cohen and John Glasgow.

The Audit Committee has responsibility for, among other things, the monitoring of the financial integrity of the financial statements of the Group and the involvement of the Group's auditor in that process. It particularly focuses on the review of and compliance with accounting policies together with ensuring that an effective system of audit and financial control is maintained. It also reviews risks and opportunities, ensures appropriate policies to mitigate risks are in place and reviews the key risk matters and risk appetite matters to support Board decisions.

The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board.

The Audit Committee meets at least twice a year at the appropriate times in the financial reporting and audit cycle, and at such other times as may be deemed necessary.

The terms of reference of the Audit Committee cover such issues as membership and the frequency of meetings, together with requirements of any quorum for, and the right to attend, meetings. The responsibilities of the Audit Committee covered in its terms of reference include the following: external audit, financial reporting, internal controls and risk management. The terms of reference also set out the authority of the Committee to carry out its responsibilities.

Any non-audit services that are to be provided by the external auditor are reviewed in order to safeguard auditor objectivity and independence. The external auditor has the opportunity during the Audit Committee meetings to meet privately with Committee members in the absence of executive management.

The Audit Committee is responsible for reviewing the Company's procedures for the identification, assessment, management and reporting of risks.

The Company has a whistleblowing policy, through which staff may notify management or non-executive directors of any concerns regarding suspected wrongdoing or dangers at work.

Review

The Audit Committee met twice during 2020.

In addition, the Audit Committee Chairman joined internal control and risk forums organised by the Group's executive management.

The principal areas of involvement for the Committee during 2020, outside of the annual and interim financial reporting of the Group, were the review of an improved risk register and a review of the Group's forecasts for the years 2021 and 2022. Both of these matters were also reviewed and approved by the Board.

Tony Perkins
Chairman of the Audit Committee
30 March 2021

INCENTIVISING ENHANCED PERFORMANCE AND BENCHMARKING REWARD

John Glasgow
Committee Chairman

MEMBERS

- **Ralph Cohen** (resigned 8 January 2020)
- **John Glasgow** Committee Chairman
- **Robin Paynter Bryant** (appointed 8 January 2020)
- **Tony Perkins** (appointed 8 January 2020)

As an AIM listed company, Yü Group PLC is not required to comply with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The content of this report is unaudited unless stated.

Membership of the Remuneration Committee

John Glasgow, independent non-executive director, is Chairman of the Remuneration Committee. He is joined by two further independent non-executive directors, being senior independent director, Tony Perkins, and Chairman of the Board, Robin Paynter Bryant. Both Tony and Robin were appointed to the Board and the Remuneration Committee on 8 January 2020.

Ralph Cohen retired from the Board and the Remuneration Committee on 8 January 2020. Ralph Cohen along with John Glasgow as Chairman had been the two members of the Remuneration Committee from 1 January 2019 to 8 January 2020.

The Remuneration Committee sets Board executive directors targets and reviews their performance. It makes recommendations to the Board on matters relating to remuneration, terms of service, granting of share options and other equity incentives. It also approves packages and changes to the Executive Management Team, and recommends to the Board the terms and conditions offered to senior appointments to the Group's management team.

The Remuneration Committee met seven times in 2020.

Remuneration policy

The objectives of the remuneration policy are to enable the Company to attract, retain and motivate its Board executive directors, while ensuring that the overall remuneration is aligned with the performance of the Group and preserves an appropriate balance of remuneration and shareholder value.

Non-executive directors

Remuneration of the non-executive directors is determined by the Board as a whole after considering any potential conflicts of interest. Non-executive directors are not entitled to pensions, annual bonuses or employee benefits. They are entitled to participate in the Group save as you earn scheme relating to the Company's shares but none of them do at this time.

The annual fee for each non-executive director is as follows:

Robin Paynter Bryant – £45,000 (appointed 8 January 2020)

Tony Perkins – £35,000 (appointed 8 January 2020)

John Glasgow – £31,500 for 2020, reinstated to £35,000 from 1 January 2021

Ralph Cohen – £31,500 (resigned from the Board 8 January 2020)

Their appointment may be terminated with three months' written notice at any time.

> **"THE REMUNERATION COMMITTEE HAS OVERSEEN THE IMPLEMENTATION OF A NEW LONG-TERM INCENTIVE PLAN. THE SCHEME CLOSELY ALIGNS OUR EXPERIENCED MANAGEMENT TEAM, A KEY ASSET OF THE GROUP, BY REWARDING DEMONSTRATED VALUE CREATED FOR SHAREHOLDERS."**

Directors' remuneration (audited)

The normal remuneration arrangements for executive directors consist of basic salary, employer contributions to defined contribution pensions, annual performance related bonuses and participation in a Long-Term Incentive Plan.

No executive director bonuses are payable in the year ended 31 December 2020.

Bobby Kalar and John Glasgow voluntary agreed to temporary reductions in their salary and fee (respectively) during 2019. The salary payable to Bobby Kalar and the fee payable to John Glasgow were restated to that in their respective service agreements from 1 January 2021, being £250,000 and £35,000 per annum respectively.

The Chief Executive Officer's service agreement can be terminated by either party giving at least 12 months' written notice. The service agreement with the Chief Financial Officer can be terminated by either party giving at least eight months' written notice, such notice increasing by one month for each completed year of service to a maximum of 12 months in total.

On 7 February 2020, Garry Pickering resigned from the Board and was appointed as Trading Services Director, a new non-Board Group leadership position. Garry entered into a new employment contract with the Group reflecting this change. The role of Chief Operating Officer has not been replaced on the Board.

During the year, awards of up to 498,008 ordinary shares were made under a new Long-Term Incentive Plan ("LTIP"). Such awards were made to the Chief Executive Officer and Chief Financial Officer along with other senior members of the Group's management team including Garry Pickering, former executive director. The LTIP, designed with support from external professional advisers to ensure it aligns with similar positioned and with best practice, closely aligns the creation of shareholder value to management reward. The LTIP consists of two tranches of awards, to vest in March 2023 and March 2024. The amount of shares vesting to individuals depends on their initial allocation of award and the achievement of certain performance conditions related to the Group's share price performance. The LTIP ratchets as share price increases, with a full vesting for both tranches being achieved where a share price of 625p or greater is achieved on the announcement of the 2023 annual results, around March 2024. The LTIP and performance criteria are further detailed in note 21 to the financial statements.

Directors' interests

Details of the directors' shareholdings are included in the Directors' Report on page 49.

Directors' share options (audited)

Aggregate emoluments disclosed in the directors' remuneration table do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the directors. Details of options for directors who served during the year and to the date of this report are as follows:

	Number of options at 31 Dec 2020	Weighted average exercise price
Executive		
Bobby Kalar	**309,168**	£1.62
Garry Pickering (resigned 7 February 2020)	**163,055**	£2.46
Paul Rawson	**371,465**	£0.16

No non-executive director holds share options in the Company.

All three of the executive directors who served in the year took part in the Group's SAYE scheme. No non-executive directors participated in the SAYE scheme.

Directors' remuneration (audited)

	Salary/fees £'000	Bonus £'000	Benefits £'000	Employer's pension contributions £'000	**Total 2020 £'000**	Total 2019 £'000
Executive						
Bobby Kalar	225	—	—	10	**235**	241
Garry Pickering (resigned 7 February 2020)	19	—	—	1	**20**	190
Paul Rawson	180	—	—	5	**185**	183
Non-executive						
Robin Paynter Bryant (appointed 8 January 2020)	45	—	—	—	**45**	—
Tony Perkins (appointed 8 January 2020)	35	—	—	—	**35**	—
Ralph Cohen (resigned 8 January 2020)	3	—	—	—	**3**	32
John Glasgow	32	—	—	—	**32**	32
	539	—	—	16	**555**	678

John Glasgow
Chairman of the Remuneration Committee
30 March 2021

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2020 ("FY 2020").

Strategic Report

The Group has chosen, in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, to set out in the Group's Strategic Report certain information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the Directors' Report.

Registered office

The registered office of Yü Group PLC (registered in England and Wales no. 10004236) is CPK House, 2 Horizon Place, Nottingham Business Park, Mellors Way, Nottingham NG8 6PY.

Dividends

The Board does not propose the payment of a final dividend in respect of FY 2020 (FY 2019: nil).

The Board did not pay an interim dividend in relation to 2020 (2019: nil).

Directors

The directors of the Group during the year and up to the date of signing the financial statements were:

- Robin Paynter Bryant (appointed 8 January 2020)
- Tony Perkins (appointed 8 January 2020)
- John Glasgow
- Bobby Kalar
- Paul Rawson

The Company maintains directors' and officers' liability insurance.

Significant shareholders

The Company is informed that, at 29 January 2021, individual registered shareholders of more than 3% of the Company's issued share capital were as follows:

	Number of ordinary shares held	% of issued ordinary share capital
Bobby Kalar	8,652,649	53.15%
Premier Miton Group	1,074,266	6.60%
Jamieson Principal Pension Fund	964,551	5.92%
Nick Parker	500,000	3.07%
Garry Pickering	500,000	3.07%

Directors' shareholdings

The beneficial interests of the directors in the share capital of the Company at 29 January 2021 were as follows:

	Number of ordinary shares held	% of issued ordinary share capital
Executive directors		
Bobby Kalar	8,652,649	53.15%
Paul Rawson	33,503	0.21%
Non-executive directors		
John Glasgow	18,411	0.11%
Robin Paynter Bryant	—	—
Tony Perkins	15,000	0.09%

Employees

The Group's executive management regularly delivers briefings on the Group's strategy and performance.

The Group remains committed to fair treatment of people with disabilities in relation to job applications, training, promotion and career development. Every effort is made to find alternative jobs for those who are unable to continue in their existing job due to disability.

The Group takes a positive approach to equality and diversity. The Group promotes equality in the application of reward policies, employment and development opportunities, and aims to support employees in balancing work and personal lifestyles.

Annual general meeting

The annual general meeting of the Group is to be held on 27 May 2021. The notice of meeting appears on pages 82 and 83 of these financial statements.

Financial instruments

Details of how the Group manages its risk in relation to use of financial instruments is included in note 19.

Political and charitable donations

During the year ended 31 December 2020 the Group made political donations of £nil (2019: £nil) and charitable donations of £nil (2019: £1,019).

Supplier payment policy and practice

The Group does not operate a standard code in respect of payments to suppliers. The Group agrees terms of payment with suppliers at the start of business and then makes payments in accordance with contractual and other legal obligations. The number of creditor days outstanding at 31 December 2020 was six days (2019: five days).

Carbon and energy reporting

The Group recognises that its business operations have an environmental impact and we are committed to monitoring and where possible reducing our emissions each year. We are also aware of our reporting obligations under The Companies Act 2006. As such, this year we have upgraded our energy and carbon reporting to meet these new requirements and increase the transparency with which we communicate about our environmental impact to our stakeholders.

UK operations 2020	
Energy consumption used to calculate emissions (kWh)	284,845
Emissions from direct sources tCO_2e (Scope 1)	—
Emissions from energy purchased for own use tCO_2e (Scope 2)	66
Emissions from indirect sources such as business travel tCO_2e (Scope 3)	—
Intensity ratio (tCO_2e/employee)	0.6

The above information has been calculated in line with the Climate Disclosure Standard Board's approved methodology.

All of our operations are UK based.

Measures taken to increase the energy efficiency of the Group during 2020 include a significant increase in employees working from home, online/virtual meetings replacing in person meetings for staff in different office locations and a push to ensure all in office workstations and monitors are switched off when not in use.

Subsequent events

The Group completed the acquisition of a new, purpose-built office in Leicester on 10 February 2021. The office, once operational post fit-out, will be utilised as the Group's sales, marketing and innovation hub. Further information is provided in note 22 of the financial statements on page 80.

Statement of disclosure of information to auditor

As at the date this report was signed, so far as each of the directors is aware, there is no relevant information of which the auditor is unaware and each director has taken all 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 auditor is aware of that information.

Auditor

In accordance with section 489 of the Companies Act, a resolution for the reappointment of RSM UK Audit LLP as auditor of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Paul Rawson
Director
30 March 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In respect of the annual report and the financial statements

The directors are responsible for preparing the Strategic Report the Directors' Report, the Corporate Governance Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and have elected under company law to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The Group financial statements are required by law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position and performance of the Group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 the Company and of the profit or loss of the Group and the Company for that period.

In preparing each of the Group and Company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. for the Group financial statements, state whether they have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Yü Group website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Opinion

We have audited the financial statements of Yü Group PLC ("the parent company") and its subsidiaries ("the Group") for the year ended 31 December 2020 which comprise consolidated statement of profit and loss and other comprehensive income, consolidated and Company balance sheets, consolidated and Company statements of changes in equity and consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 December 2020 and of the Group's loss for the year then ended;

» the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;

» the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

» the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. For an explanation of how we evaluated the directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting please see the going concern key audit matter.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Summary of our audit approach

Key audit matters	**Group** » Revenue recognition and accrued income » Trade receivable and accrued income recoverability » Going concern **Parent company** » No parent company key audit matters
Materiality	**Group** » Overall materiality: £500,000 (2019: £500,000) » Performance materiality: £375,000 (2019: £375,000) **Parent company** » Overall materiality: £333,000 (2019: £363,000) » Performance materiality: £249,000 (2019: £272,000)
Scope	Our audit procedures covered 99% of revenue, 99% of total assets and 99% of loss before tax.

INDEPENDENT AUDITOR'S REPORT *CONTINUED*

To the members of Yü Group PLC

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group and parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition and accrued income

Key audit matter description	Refer to accounting policy on page 62 regarding revenue and accrued income and note 16 regarding trade and other receivables. Appropriate and accurate income recognition is required to be applied by the Directors to ensure that revenue is accrued and recognised appropriately in the financial statements. Revenues are based on the volumes supplied to customers using estimates and meter readings. Where recent meter information is limited, assumptions are made to estimate the volumes of energy consumed by customers. Actual and expected usage information, together with the contractual rates, are used to accrue revenue which is then billed to customers. There is a risk that revenue and accrued income is recognised inappropriately.
How the matter was addressed in the audit	For revenue and accrued income we verified the appropriateness of the recognition policy and judgements as disclosed in note 1. We selected a sample of contracts and transactions and considered whether revenue had been recognised in accordance with the contract and was subsequently billed. For income accrued at the year end, additional procedures were undertaken to check that this was subsequently billed. We considered the integrity of the revenue information used for the basis of our procedures through agreement through to the financial systems and the amounts recognised in the financial statements. We considered the Group's disclosures in relation to revenue recognition.

Trade receivable and accrued income recoverability

Key audit matter description	Refer to accounting policy on page 62 regarding revenue and accrued income and note 16 regarding trade and other receivables and note 19 which considers credit risk. The Group has a significant number of customers with a varied credit risk profile which could impact the recoverability of trade receivables and income accrued on customer contracts. The majority of trade receivables are past due and a proportion of accrued income is not billed immediately following the month end which means it can become old and more difficult to recover. Management's assessment of the recoverability and expected credit loss for trade receivables and accrued income with their customers is inherently judgemental. There is a risk that the net trade receivables and accrued income will be recovered at amounts materiality different to the value recognised.
How the matter was addressed in the audit	The methodology utilised by management to calculate the provision including expected credit loss was reviewed. We independently profiled the Group's customers using external data to verify their identity, to identify those accounts with a potentially elevated credit risk and quantify the potential exposure within both trade receivables and accrued income. We selected a sample of accounts and performed detailed testing to invoices and cash receipts. The impairment and expected credit loss provision was considered through a combination of analytical procedures, the results of tests of detail and recent collection history. We also considered the adequacy of the Group's trade and other receivables accounting policy disclosed in note 1 and note 19 which refers to credit risk.

Going concern

Key audit matter description	Refer to accounting policy on page 61 regarding going concern. The prior year financial statements included a material uncertainty in relation to going concern as a result of the early impact of Covid-19 and the uncertainty this presented for the UK economy and the Group. Having traded through the pandemic and having prepared and sensitised its forecasts in light of its experience, the Board have concluded there is no longer a material uncertainty that casts significant doubts on the Group's ability to continue as a going concern. The Group has continued to include disclosures to explain this basis and conclusions. There is a risk that these disclosures are not a fair representation in support of the Group's conclusions.
How the matter was addressed in the audit	We read management's conclusions and the Board paper prepared to support this. We reviewed management prepared trading and cash flow forecasts, and the sensitised projections. We considered the reasonableness of the assumptions used and compared the prior year re-forecast with actual results. We also considered the adequacy of the Group's disclosures within note 1 concerning the directors' opinion on the going concern status.

Our application of materiality

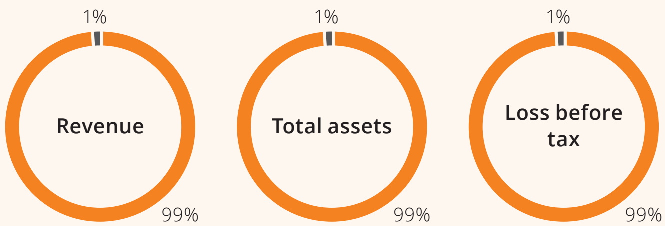
When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
Overall materiality	£500,000 (2019: £500,000)	£333,000 (2019: £363,000)
Basis for determining overall materiality	3 year average: 10% of result before tax capped at £500,000	2% of total assets
Rationale for benchmark applied	This is considered a focus for investors as the Group returns to profitability	Total assets was chosen as the entity is a non-trading holding company
Performance materiality	£375,000 (2019: £375,000)	£249,000 (2019: £272,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £25,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds	Misstatements in excess of £16,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds

An overview of the scope of our audit

The Group consists of 4 components, all of which are based in the UK.

The coverage achieved by our audit procedures was:



1 Full scope
2 Specific audit procedures

Full scope audits were performed for 3 components, specific audit procedures for 1 component.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 50, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

The extent to which the audit was considered capable of detecting irregularities, including fraud continued

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the Group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the Group and parent company operate in and how the Group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud; and
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation/ regulation	Additional audit procedures performed by the Group audit engagement team included:
IFRS, FRS 101 and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation Completion of disclosure checklists to identify areas of non-compliance
Tax compliance regulations	Consideration of whether any matter identified during the audit required reporting to an appropriate authority outside the entity
Ofgem regulation	Inquiry of management and those charged with governance as to any instances of non-compliance

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	See key audit matters above. In addition, we reviewed revenue journals for appropriateness using financial data analytics software
Management override of controls	» Testing the appropriateness of journal entries and other adjustments » Assessing whether the judgements made in making accounting estimates are indicative of a potential bias » Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

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.

Ian Wall (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP,
Statutory Auditor
Chartered Accountants
Suite A, 7th Floor
East West Building
2 Tollhouse Hill
Nottingham
NG1 5FS

30 March 2021

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	31 December 2020 £'000	31 December 2019 £'000
Revenue		**101,527**	111,613
Cost of sales		**(93,858)**	(106,128)
Gross profit		**7,669**	5,485
Operating costs before non-recurring items, unrealised gains on derivative contracts and share based payment charges		**(9,934)**	(10,362)
Operating costs – non-recurring items	7	**—**	(378)
Operating costs – unrealised gains/(losses) on derivative contracts	7	**1,011**	(518)
Operating costs – share based payment charges	21	**(320)**	(125)
Total operating costs	4	**(9,243)**	(11,383)
Operating loss		**(1,574)**	(5,898)
Finance income	5	**74**	33
Finance costs	5	**(39)**	(112)
Loss before tax		**(1,539)**	(5,977)
Taxation	9	**374**	1,009
Loss for the year		**(1,165)**	(4,968)
Other comprehensive income		**—**	—
Total comprehensive income for the year		**(1,165)**	(4,968)
Earnings per share			
Basic	8	**(£0.07)**	(£0.31)
Diluted	8	**(£0.07)**	(£0.31)

CONSOLIDATED AND COMPANY BALANCE SHEET

At 31 December 2020

	Notes	Group 31 December 2020 £'000	Group 31 December 2019 £'000	Company 31 December 2020 £'000	Company 31 December 2019 £'000
ASSETS					
Non-current assets					
Intangible assets	11	**606**	52	**—**	—
Property, plant and equipment	12	**1,377**	671	**1,163**	340
Right-of-use assets	13	**273**	481	**—**	—
Deferred tax assets	15	**4,789**	4,355	**81**	21
		7,045	5,559	**1,244**	361
Current assets					
Trade and other receivables	16	**18,267**	25,886	**15,247**	16,045
Cash and cash equivalents	17	**11,740**	2,377	**501**	500
		30,007	28,263	**15,748**	16,545
Total assets		**37,052**	33,822	**16,992**	16,906
LIABILITIES					
Current liabilities					
Trade and other payables	18	**(31,430)**	(28,076)	**(308)**	(440)
Non-current liabilities	18	**(1,109)**	(448)	**—**	—
Total liabilities		**(32,539)**	(28,524)	**(308)**	(440)
Net assets		**4,513**	5,298	**16,684**	16,466
EQUITY					
Share capital	20	**82**	82	**82**	82
Share premium	20	**11,690**	11,690	**11,690**	11,690
Merger reserve	20	**(50)**	(50)	**(50)**	(50)
(Accumulated losses)/retained earnings	20	**(7,209)**	(6,424)	**4,962**	4,744
		4,513	5,298	**16,684**	16,466

The Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes. The Company incurred a loss of £162,000 for the year (2019: £494,000).

The financial statements on pages 56 to 81 were approved by the Board of directors on 30 March 2021 and signed on its behalf by:

Bobby Kalar
Chief Executive Officer

Paul Rawson
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2020	82	11,690	(50)	(6,424)	5,298
Total comprehensive income for the year					
Loss for the year	—	—	—	(1,165)	(1,165)
Other comprehensive income	—	—	—	—	—
	—	—	—	(1,165)	(1,165)
Transactions with owners of the Company					
Contributions and distributions					
Equity-settled share based payments	—	—	—	320	320
Deferred tax on share based payments	—	—	—	60	60
Equity dividend paid in the year	—	—	—	—	—
Total transactions with owners of the Company	—	—	—	380	380
Balance at 31 December 2020	**82**	**11,690**	**(50)**	**(7,209)**	**4,513**
Balance at 1 January 2019	81	11,689	(50)	(1,282)	10,438
Adjustment following adoption of IFRS 16	—	—	—	(125)	(125)
Adjusted balance at 1 January 2019	81	11,689	(50)	(1,407)	10,313
Total comprehensive income for the year					
Loss for the year	—	—	—	(4,968)	(4,968)
Other comprehensive income	—	—	—	—	—
	—	—	—	(4,968)	(4,968)
Transactions with owners of the Company					
Contributions and distributions					
Equity-settled share based payments	—	—	—	125	125
Deferred tax on share based payments	—	—	—	21	21
Proceeds from share issues	1	1	—	—	2
Equity dividend paid in the year	—	—	—	(195)	(195)
Total transactions with owners of the Company	1	1	—	(49)	(47)
Balance at 31 December 2019	82	11,690	(50)	(6,424)	5,298

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2020	82	11,690	(50)	4,744	16,466
Total comprehensive income for the year					
Loss for the year	—	—	—	(162)	(162)
Other comprehensive income	—	—	—	—	—
	—	—	—	(162)	(162)
Transactions with owners of the Company					
Contributions and distributions					
Equity-settled share based payments	—	—	—	320	320
Deferred tax on share based payments	—	—	—	60	60
Equity dividend paid in the year	—	—	—	—	—
Total transactions with owners of the Company	—	—	—	380	380
Balance at 31 December 2020	**82**	**11,690**	**(50)**	**4,962**	**16,684**
Balance at 1 January 2019	81	11,689	(50)	5,287	17,007
Total comprehensive income for the year					
Loss for the year	—	—	—	(494)	(494)
Other comprehensive income	—	—	—	—	—
	—	—	—	(494)	(494)
Transactions with owners of the Company					
Contributions and distributions					
Equity-settled share based payments	—	—	—	125	125
Deferred tax on share based payments	—	—	—	21	21
Proceeds from share issues	1	1	—	—	2
Equity dividend paid in the year	—	—	—	(195)	(195)
Total transactions with owners of the Company	1	1	—	(49)	(47)
Balance at 31 December 2019	82	11,690	(50)	4,744	16,466

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	31 December 2020 £'000	31 December 2019 £'000
Cash flows from operating activities		
Loss for the financial year	**(1,165)**	(4,968)
Adjustments for:		
Depreciation of property, plant and equipment	**215**	289
Depreciation of right-of-use assets	**204**	108
Amortisation of intangible assets	**132**	2
Finance income	**(74)**	(33)
Finance costs	**39**	112
Taxation	**(374)**	(1,009)
Share based payment charge	**320**	125
Decrease/(increase) in cash collateral deposits lodged with trading counterparties	**10,158**	(10,408)
Increase in trade and other receivables	**(948)**	(1,909)
Increase in trade and other payables	**3,595**	6,411
Net cash from/(used in) operating activities	**12,102**	(11,280)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(921)**	(565)
Purchase of customer books	**(1,673)**	—
Net cash used in investing activities	**(2,594)**	(565)
Cash flows from financing activities		
Net proceeds from share placing and option exercises	**—**	2
Net interest	**35**	(79)
Dividend paid during the year	**—**	(195)
Repayment of borrowings and leasing liabilities	**(180)**	(118)
Net cash used in financing activities	**(145)**	(390)
Net increase/(decrease) in cash and cash equivalents	**9,363**	(12,235)
Cash and cash equivalents at the start of the year	**2,377**	14,612
Cash and cash equivalents at the end of the year	**11,740**	2,377

1. Significant accounting policies

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved and authorised for issue in accordance with a resolution of the directors on 30 March 2021. Yü Group PLC 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.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The Company has elected to prepare its parent company financial statements in accordance with UK accounting standards (UK Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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 31 December 2020 the Group had net assets of £4.5m (2019: £5.3m) and net cash of £11.4m (2019: £1.8m).

Management prepares detailed budgets and forecasts of financial performance and cash flow (including capital commitments as disclosed in note 22) over the coming 12 to 36 months. 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 Group has demonstrated significant progress in its results due to various actions taken by the Board. Losses have decreased significantly from 2018, notwithstanding the initial impact of Covid-19 particularly experienced in H1 2020. This strong momentum is forecasted to continue and lead to a return to profitability. The turnaround has been as a result of clear commercial action to focus on contract lifecycle value, including the termination of low margin legacy contracts which are now replaced by higher margin contracts with more robust customers.

Group available cash increased by £9.4m during 2020, to £11.7m. This increase is despite the investment in the acquisition of two earnings-enhancing customer books and the deposit payment on a newly built innovation and sales office in Leicester. The strong performance in cash has been due to the close control over customer receivables and the return of previously provided cash collateral required on legacy commodity trading agreements.

The Group has no debt other than £0.3m (at 31 December 2020) recognised from IFRS 16 as a consequence of operating leases for the Group's premises.

The five year commodity trading arrangement between SmartestEnergy Ltd and the trading entities of the Group (Yü Energy Holding Limited and Yü Energy Retail Limited), signed December 2019, enables the Group to purchase electricity and gas on forward commodity markets in line with its hedging strategy, supporting the Group's commodity hedging position. As part of the arrangement, SmartestEnergy Ltd holds security over the trading assets of the Group. In return, a variable commodity trading limit is provided, which scales with the Group, having the benefit of significantly reducing the need to post cash collateral from cash reserves. The Board carefully monitors covenants associated with this agreement to assess the likelihood of the credit facility being reduced.

Covid-19

As further explained in the Strategic Report on pages 5 and 25, the Board has taken steps to mitigate, where possible, the impact from Covid-19 and continues to be mindful of future risks.

The Group successfully implemented its business continuity plan during lockdown and continues to operate to its high standards of customer care.

The initial lockdown, in March and April 2020, had an immediate and significant impact on customer demand, and market prices, leading to losses reported in H1 2020. H1 2021 has improved significantly as the impact from the pandemic is better understood.

The Board remains confident in the ability to grow market share, despite the wider economic context caused by the pandemic.

The Group has seen strong performance in cash collection since the pandemic began. The Board remains vigilant, however, over the short to medium term, on the basis of the increased risk of business failures in some markets.

The Board has adequate visibility, based on the outcome from previous lockdowns, of scenarios to consider when assessing risks to the Group from Covid-19 and has assessed such risks in its assessment of the ability of the Group to continue as a going concern.

Further details of the sensitivity analysis carried out is shown in note 19.

Summary

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

1. Significant accounting policies continued

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 has the ability to 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 are the estimated consumption (in lieu of accurate meter readings) of energy by customers, the level of accrual for unbilled revenue, the assumptions input to the IFRS 2 share option charge calculations and the recoverability of deferred tax assets and trade receivables.

Revenue estimates are based on industry knowledge or source information, where available, and can therefore represent estimates which are lower or higher than the actual out-turn of energy consumption once accurate meter readings are obtained.

To estimate the level of accrual for unbilled revenue, management estimates the level of consumption, and anticipated revenue, which is due to be charged to the customer, and recognises such revenue where it is considered that revenue will flow to the Group.

Deferred tax asset recoverability is assessed based on directors' judgement of the recoverability, by the realisation of future profits, of the tax losses over the short to medium term, which inherently is based on estimates.

Trade receivables recoverability is estimated, with appropriate allowance for expected credit loss provisions, based on historical performance and the directors' estimate of losses over the Group's customer receivable balances.

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.

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 including as a result of the Covid-19 pandemic.

Government grants

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

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 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.

1. Significant accounting policies continued

Financial instruments continued

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 excludes any cash collateral posted with third parties. 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. The majority of 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 is included in note 19.

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

Amortisation is charged to the statement of profit and loss on a straight-line basis over the estimated useful lives of the intangible assets, unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised 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)

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
- Computer equipment – 3 years
- Fixtures and fittings – 3 years

Assets under construction are not depreciated until the period they are brought into use.

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.

1. Significant accounting policies continued

Business combinations continued

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 acquirer 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 value are less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer 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 acquirer retrospectively adjusts the provisional amounts recognised and also 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 either 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.

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 assess 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 have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

1. Significant accounting policies continued

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.

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.

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. As a consequence 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 losses, 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 issued by the International Accounting Standards Board (“IASB”) that are mandatory for the current reporting period.

Any new or amended accounting standards or interpretations that are not yet mandatory have not been early adopted.

2. Segmental analysis

Operating segments

The directors consider there to be one operating segment, being the supply of utilities to businesses.

Geographical segments

100% of Group revenue is generated from sales to customers in the United Kingdom (2019: 100%).

The Group has no individual customers representing over 10% of revenue (2019: nil).

3. Auditor's remuneration

	2020 £'000	2019 £'000
Audit of these financial statements	**68**	60
Amounts receivable by auditor in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**40**	34
Other services pursuant to legislation:		
– Corporate tax services	**—**	8
– Payroll services	**—**	5
	108	107

4. Operating expenses

	2020 £'000	2019 £'000
Loss for the year has been arrived at after charging:		
Staff costs (see note 6)	**4,455**	4,981
Depreciation of property, plant and equipment	**215**	289
Depreciation of right-of-use assets	**204**	108
Amortisation of intangibles	**132**	2

5. Net finance (income)/expense

	2020 £'000	2019 £'000
Bank interest and other finance charges payable	**39**	112
Bank interest receivable	**(74)**	(33)
	(35)	79

6. Staff numbers and costs

The average number of persons employed by the Group (including directors) during the period, analysed by category, was as follows:

	2020 Number	2019 Number
Sales	**34**	42
Administration	**77**	99
	111	141

The aggregate payroll costs of these persons were as follows:

	2020 £'000	2019 £'000
Wages and salaries	**3,685**	4,336
Social security costs	**373**	437
Pension costs	**77**	83
Share based payments	**320**	125
	4,455	4,981

There were four persons employed directly by the Company during the year ended 31 December 2020 (2019: two), being the non-executive directors (including the outgoing non-executive chairman, Ralph Cohen). The Company's three (2019: three) executive directors who served during the year have service contracts with a wholly owned subsidiary of the Company.

Included in the above payroll costs is a grant in relation to the Coronavirus Job Retention Scheme amounting to £137,000. There was no outstanding balance in relation to this grant as at 31 December 2020.

6. Staff numbers and costs continued

Key management personnel

The aggregate compensation made to directors and other members of key management personnel (being the Group's Senior Leadership Team) is set out below:

	2020 £'000	2019 £'000
Short-term employee benefits	**1,153**	1,338
Pension costs	**30**	33
Share based payments	**310**	125
	1,493	1,496

7. Reconciliation to adjusted EBITDA

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

	2020 £'000	2019 £'000
Adjusted EBITDA reconciliation		
Operating loss	**(1,574)**	(5,898)
Add back:		
Non-recurring operational costs	**—**	378
Non-recurring mutualisation costs related to domestic energy supplier failures	**—**	236
Unrealised (gain)/loss on derivative contracts	**(1,011)**	518
Equity-settled share based payment charge	**320**	125
Depreciation of property, plant and equipment	**215**	289
Depreciation of right-of-use assets	**204**	108
Amortisation of intangibles	**132**	2
Adjusted EBITDA	**(1,714)**	(4,242)

The 2019 non-recurring mutualisation costs of £236,000 relate to Renewable Obligation Certificate ("ROC") and capacity market costs that have been levied on the Group over and above the expected costs, to cover the cost of other failing suppliers in the market. The Board has not treated costs incurred in 2020 of £180,000 as non-recurring (and hence such costs are set against adjusted EBITDA) on the basis of a reasonable expectation that such mutualisation costs may continue due to failure of domestic energy suppliers.

The unrealised (gain)/loss on derivative contracts is excluded from adjusted EBITDA in view of its non-cash nature, with significant potential variability as the forward energy commodity market moves.

The 2019 non-recurring operational costs of £378,000 consist of restructuring payroll costs and legal and professional fees in relation to the issue identified in the Q4 2018 accounting review and regulatory investigation. No further costs beyond those accrued are anticipated.

8. Earnings per share

Basic loss per share

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

	2020 £'000	2019 £'000
Loss for the year attributable to ordinary shareholders	**(1,165)**	(4,968)

	2020	2019
Weighted average number of ordinary shares		
At the start of the year	**16,281,055**	16,267,555
Effect of shares issued in the year	**—**	11,133
Number of ordinary shares for basic earnings per share calculation	**16,281,055**	16,278,688
Dilutive effect of outstanding share options	**929,830**	786,547
Number of ordinary shares for diluted earnings per share calculation	**17,210,885**	17,065,235

	2020 £	2019 £
Basic earnings per share	**(0.07)**	(0.31)
Diluted earnings per share	**(0.07)**	(0.31)

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)/losses on derivative contracts and the cost of cash and equity-settled share based payments, and the weighted average number of ordinary shares outstanding:

	2020 £'000	2019 £'000
Adjusted earnings per share		
Loss for the year attributable to ordinary shareholders	**(1,165)**	(4,968)
Add back:		
Non-recurring items after tax (see note 7)	**—**	497
Unrealised (gain)/loss on derivative contracts after tax (gross gain of £1,011,000)	**(819)**	420
Share based payments after tax (gross cost of £320,000)	**259**	101
Adjusted basic loss for the year	**(1,725)**	(3,950)

	2020 £	2019 £
Adjusted earnings per share	**(0.11)**	(0.24)

9. Taxation

	2020 £'000	2019 £'000
Current tax charge		
Current year	—	—
Adjustment in respect of prior years	—	—
	—	—
Deferred tax credit		
Current year	(287)	(1,009)
Adjustment in respect of prior years	(87)	—
	(374)	(1,009)
Total tax credit	**(374)**	(1,009)
Tax recognised directly in equity		
Current tax recognised directly in equity	—	—
Deferred tax recognised directly in equity	(60)	(21)
Total tax recognised directly in equity	**(60)**	(21)
Reconciliation of effective tax rate		
Loss before tax	(1,539)	(5,977)
Tax at UK corporate tax rate of 19% (2019: 19%)	(292)	(1,136)
Expenses not deductible for tax purposes	5	10
Tax relief on exercise of share options	—	(3)
Adjustment in respect of prior periods – current tax	—	—
Adjustments in respect of prior periods – deferred tax	(87)	—
Utilisation of tax losses not recognised for deferred tax	—	—
Reduction in tax rate on deferred tax balances	—	120
Tax credit for the year	**(374)**	(1,009)

Deferred taxes at the balance sheet date have been measured using the enacted tax rates at that date and are reflected in these financial statements on that basis. In the March 2021 Budget it was announced that the UK taxation rate will remain at the current 19% until April 2023, at which point the main rate will increase to 25%. This will have a consequential effect on the Group's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by £1,512,000.

10. Dividends

The Group did not pay an interim dividend in relation to 2020 (2019: nil per share).

The directors do not propose a final dividend in relation to 2020 (2019: nil per share).

The 2018 interim dividend of £195,000 was paid to shareholders in January 2019.

11. Intangible assets

	Electricity licence £'000	Customer books £'000	Total £'000
Cost			
At 1 January 2020	62	—	62
Additions	—	686	686
At 31 December 2020	**62**	**686**	**748**
Amortisation			
At 1 January 2020	10	—	10
Charge for the year	2	130	132
At 31 December 2020	**12**	**130**	**142**
Net book value at 31 December 2020	**50**	**556**	**606**
Cost			
At 1 January 2019	62	—	62
Additions	—	—	—
At 31 December 2019	62	—	62
Amortisation			
At 1 January 2019	8	—	8
Charge for the year	2	—	2
At 31 December 2019	10	—	10
Net book value at 31 December 2019	52	—	52

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.

The customer book intangibles relate to the two separate acquisitions that took place in 2020 (as disclosed in note 24). The customer book intangibles represent the fair value of the customer contracts purchased in those acquisitions. The intangible assets are being amortised over a useful economic life of two years, representing the average contract length of the customer books acquired.

The above intangible assets are Group assets only. The Company has no intangible assets.

12. Property, plant and equipment

Group	Freehold land £'000	Assets under construction £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost					
At 1 January 2020	150	190	215	1,007	1,562
Additions	—	823	—	98	921
Disposals	—	—	(135)	(770)	(905)
At 31 December 2020	**150**	**1,013**	**80**	**335**	**1,578**
Depreciation					
At 1 January 2020	—	—	146	745	891
Charge for the year	—	—	30	185	215
Disposals	—	—	(135)	(770)	(905)
At 31 December 2020	**—**	**—**	**41**	**160**	**201**
Net book value at 31 December 2020	**150**	**1,013**	**39**	**175**	**1,377**
Cost					
At 1 January 2019	—	—	197	927	1,124
Additions	150	190	72	153	565
Disposals	—	—	(54)	(73)	(127)
At 31 December 2019	150	190	215	1,007	1,562
Depreciation					
At 1 January 2019	—	—	141	588	729
Charge for the year	—	—	59	230	289
Disposals	—	—	(54)	(73)	(127)
At 31 December 2019	—	—	146	745	891
Net book value at 31 December 2019	150	190	69	262	671

The asset under construction relates to the new energy centre property in Leicester which is to be a sales, marketing and innovation hub for the Group's activities. As disclosed in note 25 (subsequent events), the building was completed in February 2020 and, following fit-out, is expected to be operational in mid-2021.

Included within the above items of property, plant and equipment is £1,163,000 (£340,000 at 31 December 2019) of freehold land and assets under construction which are owned by the Company.

13. Right-of-use assets and lease liabilities

Group	Right-of-use assets £'000
Cost	
At 1 January 2020	955
Additions	—
Disposals	(156)
At 31 December 2020	**799**
Depreciation	
At 1 January 2020	474
Charge for the year	204
Disposals	(152)
At 31 December 2020	**526**
Net book value at 31 December 2020	**273**
Cost	
At 1 January 2019	811
Additions	144
Disposals	—
At 31 December 2019	955
Depreciation	
At 1 January 2019	366
Charge for the year	108
Disposals	—
At 31 December 2019	474
Net book value at 31 December 2019	481

The Group has a lease arrangement for its main office facilities in Nottingham. A lease for a temporary Leicester office, pending the construction of a new purpose-built sales, marketing and innovation hub in the city, was held in 2019 and was terminated during 2020. One vehicle was leased in 2019, which was terminated during 2020.

Other leases are short term or of low value underlying assets.

The Nottingham office lease is reflected on the balance sheet as a right-of-use asset and a lease liability at 31 December 2020 (2019: the Nottingham and temporary Leicester office were included).

Leases typically impose a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. For leases over office buildings the Group is obligated to keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

13. Right-of-use assets and lease liabilities continued

The table below provides details of the Group's right-of-use assets and lease liabilities recognised on the balance sheet at 31 December 2020:

Right-of-use asset	Remaining term	Asset carrying amount	Lease liability	Depreciation expense	Interest expense
Premises	3.5 years	£273,000	£368,000	£80,000	£23,000

The total cash outflow for leases in 2020 was £180,000 (2019: £118,000).

Lease payments not recognised as a liability

The Group has elected not to recognise a right-of-use asset or lease liability for short-term leases (leases of expected terms of 12 months or less) or leases of low value assets. Payments under such leases are expensed on a straight-line basis. During FY 2020 the amount expensed to profit and loss was £1,000 (2019: £6,000).

None of the above leases of the Group are with the Company entity directly.

14. Investments in subsidiaries

The Company has the following direct and indirect investments in subsidiaries:

Company name	Country of incorporation	Holding	Proportion of shares held	Nature of business
Yü Energy Holding Limited	United Kingdom	Ordinary shares	100%	Gas shipping services
KAL Portfolio Trading Limited	United Kingdom	Ordinary shares	100%	Dormant
Yü Services Limited	United Kingdom	Ordinary shares	100%	Dormant
Yü Energy Retail Limited	United Kingdom	Ordinary shares	100%	Supply of energy to businesses
Yü Group Management Limited	United Kingdom	Ordinary shares	100%	Dormant
Yü Water Limited	United Kingdom	Ordinary shares	100%	Supply of water to businesses

All of the above entities are included in the consolidated financial statements.

All of the above entities have the same registered address as Yü Group PLC. The address is listed as part of the Company information on page 84.

15. Deferred tax assets

Deferred tax assets are attributable to the following:

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Property, plant and equipment	**(32)**	(32)	**—**	—
Tax value of loss carry-forwards	**4,740**	4,366	**—**	—
Share based payments	**81**	21	**81**	21
	4,789	4,355	**81**	21

Movement in deferred tax in the period:

	At 1 January 2020 £'000	Recognised in income £'000	Recognised directly in equity £'000	**At 31 December 2020 £'000**
Property, plant and equipment	(32)	—	—	**(32)**
Tax value of loss carry-forwards	4,366	374	—	**4,740**
Share based payments	21	—	60	**81**
	4,355	374	60	**4,789**

15. Deferred tax assets continued

	At 1 January 2019 £'000	Recognised in income £'000	Recognised directly in equity £'000	At 31 December 2019 £'000
Property, plant and equipment	(32)	—	—	(32)
Tax value of loss carry-forwards	3,357	1,009	—	4,366
Share based payments	—	—	21	21
	3,325	1,009	21	4,355

The deferred tax asset is expected to be utilised by the Group in the coming years. The Group is forecast to generate sufficient taxable income as a result of the growth in the customer base and increased profitability against which it will utilise these deferred tax assets.

16. Trade and other receivables

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Gross trade receivables	**8,129**	7,801	**—**	—
Provision for doubtful debts and expected credit loss	**(5,162)**	(4,901)	**—**	—
Net trade receivables	**2,967**	2,900	**—**	—
Accrued income – net of provision	**11,169**	9,278	**—**	—
Prepayments	**1,355**	2,185	**—**	—
Other receivables	**2,148**	11,523	**500**	500
Financial derivative asset	**628**	—	**—**	—
Amount due from subsidiary undertakings	**—**	—	**14,747**	15,545
	18,267	25,886	**15,247**	16,045

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

	2020 £'000	2019 £'000
Opening balance	**4,901**	4,803
Provisions recognised less unused amounts reversed	**2,420**	2,931
Provision utilised in the year	**(2,159)**	(2,833)
Closing balance – provision for doubtful debts and expected credit losses	**5,162**	4,901

The directors have assessed the level of provision at 31 December 2020 by reference to the recoverability of customer receivable balances post the year end, and believe the provision carried of £5,162,000 is adequate.

In addition to the £2,420,000 (2019: £2,931,000) provision recognised during FY 2020 in relation to trade receivables, there was an additional provision of £707,000 (2019: £159,000) made against accrued income to consider the potential additional risk related to Covid-19. Expected credit losses are recognised in the bad debt expense line of the income statement.

None of the Group's receivables fall due after more than one year.

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Group other receivables includes £250,000 (2019: £10,408,000) paid in cash to trading counterparties as collateral.

The Company other receivables balance of £500,000, which is also included in the Group consolidated balance, relates to a bank cash deposit. This cash deposit does not fulfil the criteria of being classified as cash and cash equivalents in view of the balance being secured for operational activities of the Group.

The amount due from subsidiary undertakings in the Company accounts of Yü Group PLC at 31 December 2020 represents amounts drawn down by the subsidiary undertakings as part of a formal loan facility (key terms of which are that the loan is payable in 14 months following written request from Yü Group PLC and interest is payable by the subsidiary undertakings at a rate of 2% above Bank of England base rate). Included in the outstanding amount at 31 December 2020 is £372,000 of accrued interest.

The Board of Yü Group PLC has considered the provisions around impairment of intercompany indebtedness contained within IFRS 9 "Financial Instruments" and has concluded that an additional expected credit loss provision of £37,500 be booked against the outstanding intercompany receivables in 2020 (total ECL provision of £287,500 at 31 December 2020 (2019: £250,000)).

17. Cash and cash equivalents

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Cash at bank and in hand	**11,740**	2,377	**501**	500
	11,740	2,377	**501**	500

As disclosed in note 16, the cash and cash equivalents amounts exclude £500,000 of cash, which is included in Company and Group other receivables. This cash balance is held on deposit and secured under arrangements with the Group's bankers.

18. Trade and other payables

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Current				
Trade payables	**2,319**	1,409	**—**	—
Accrued expenses and deferred income	**19,250**	20,889	**8**	140
Lease liabilities	**102**	149	**—**	—
Derivative financial liability	**—**	383	**—**	—
Other payables	**9,759**	5,246	**—**	—
Amounts due to subsidiary undertakings	**—**	—	**300**	300
	31,430	28,076	**308**	440
Non-current				
Other payables	**843**	—	**—**	—
Lease liabilities	**266**	448	**—**	—
	1,109	448	**—**	—

Details of the lease liabilities are included in note 13.

Current and non-current other payables at 31 December 2020 includes £3,600,000 related to VAT and PAYE which has been deferred under the UK Government's Covid-19 business relief schemes (2019: £nil). The balance is payable monthly in interest-free instalments from April 2021 to March 2022.

19. Financial instruments and risk management

The Group's principal financial instruments are cash, trade receivables, trade payables and derivative financial assets and liabilities. The Group has exposure to the following risks from its use of financial instruments:

(a) Fair values of financial instruments

Fair values

Derivative financial instruments are measured at fair value through profit and loss. The derivative instruments are level 1 financial instruments and their fair value is therefore 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.

(b) Customer or 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.

These trading exposures are monitored and managed at Group level. All customers are UK based and turnover is made up of a large number of customers each owing relatively small amounts. New customers have their credit checked using an external credit reference agency prior to being accepted as a customer.

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. At the year end there were no significant concentrations of credit risk. The carrying amount of the financial assets (less the element of VAT and 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.

19. Financial instruments and risk management continued

(b) Customer or counterparty credit risk continued

The ageing of trade receivables, net of provision for doubtful debts and expected credit loss, at the balance sheet date was:

	2020 £'000	2019 £'000
Not past due	**290**	69
Past due (0–30 days)	**1,816**	1,529
Past due (31–120 days)	**861**	1,302
More than 120 days	**—**	—
	2,967	2,900

At 31 December 2020 the Group held a provision against doubtful debts and expected credit loss of £6,029,000 (2019: £5,858,000). This is a combined provision against both trade receivables (£5,162,000) and accrued income (£867,000).

(c) Commodity market risk

Market risk is the risk that changes in market prices, such as commodity and energy prices, will affect the Group's income.

Commodity and energy prices

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 from fluctuations in energy prices by entering into back to back 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 or loss.

As far as practical, in accordance with the risk mandate, the Group attempts to match new sales orders 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. The Group applies premia in its pricing of contracts to cover some market volatility.

The Board continues to evaluate the use of commodity purchase contracts and whether their classification as "own use" is appropriate. The key requirements considered by the Board are as listed below:

- » whether physical delivery takes place under the contracts;
- » whether the volumes purchased or sold under the contract correspond to the Group's operating requirements; and
- » whether there are any circumstances where the Group would settle the contracts net in cash.

All commodity purchase contracts are entered into exclusively for own use, to supply energy to business customers. However, as noted above, a number of these contracts do not meet the stringent requirements of IFRS 9, and so are subject to fair value measurement through the income statement.

The fair value mark-to-market adjustment at 31 December 2020 is a gain of £1,011,000 (2019: loss of £518,000). See note 16 for the corresponding derivative financial asset (2019: financial liability).

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 had occurred and been applied to the risk exposures in place at that date. The reasonably possible changes in commodity price used in the sensitivity analysis were determined based on calculated or implied volatilities where available, or historical data.

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.

19. Financial instruments and risk management continued

(c) Commodity market risk continued

Commodity and energy prices continued

Open market price of forward contracts	Reasonably possible increase/ decrease in variable	Impact on profit and net assets £'000
UK gas (p/therm)	+/-25%	103
UK power (£/MWh)	+/-25%	364
		467

Liquidity risk from commodity trading

The Group's trading arrangements can result in a cash call being made by counterparties when commodity markets are below the Group's traded position. A significant reduction in electricity and gas markets could lead to a material cash call from the Group's trading counterparties in the absence of a suitable trading credit limit. Whilst such a cash call would not impact the Group's profit, it would have an impact on the Group's cash reserves. As described below, the structured trading arrangement, entered into with SmartestEnergy in December 2019, has reduced this liquidity risk.

(d) 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.

In order to enter into the necessary commodity purchase contracts, the Group is required to secure appropriate credit lines or lodge funds on deposit with either its bank or direct with our commodity trading counterparties.

In December 2019 the Group announced a new structured trading arrangement with SmartestEnergy Limited. This arrangement provides a significant trading credit facility and as such reduces the need to lodge cash collateral. As disclosed in note 1, the Board has considered the cash flow forecasts, along with the interaction in trading credit lines and the potential need for cash collateral or Letter of Credit requirements.

At 31 December 2020 the Group had £0.25m lodged as cash collateral with trading counterparties (2019: £10.4m). The material reduction in cash posted is a result of the new structured trading agreement, which is structured to scale with the Group's business growth.

Any excess cash balances are held in short-term deposit accounts which are either interest or non-interest accounts. At 31 December 2020 the Group had £11.7m of cash and bank balances, as per note 17.

(e) Foreign currency risk

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

(f) Impact from the Covid-19 pandemic

The Covid-19 pandemic continues to have a significant impact on the UK economy. Businesses have been able to take advantage of various Government incentive schemes to help them through 2020; however, there is a risk that once this Government support ends there could be an increase in customer payment defaults and a reduction in the recoverability of customer receivables (being trade receivables and accrued income).

The total customer receivable balance at 31 December 2020, net of provision for doubtful debts and expected credit losses, is £14,136,000. The directors assess the level of provision as adequate after consideration of cash received post 31 December 2020.

The risk of prolonged lockdowns or reduced Government support impacting the recoverability of customer receivable balances in the future is being monitored closely by the Board and is further detailed in the Strategic Report's review of the risks and uncertainties related to Covid-19. The Board also continues to monitor any impact on the reduction of customer volume and therefore the revenue of the Group.

In assessing sensitivity to the level of credit risk on customer receivables, a 10% increase in the level of bad debt will result in approximately £264,000 of additional expected credit loss.

If energy commodity volumes consumed by customers significantly decrease as a result of further enforced lockdowns (and outside the normal operating assumptions of the Group), there may be exposure to additional mark-to-market volume risk as some of the volume purchased forward would need to be sold. The impact could also be increased if the reduction in customer demand coincided with further declines in energy commodity markets. This scenario occurred in H1 2020 (as described in the Finance Review on page 21). Whilst the directors continue to take steps to mitigate this risk, the sensitivity caused by a 10% decline in contracted revenue for the year ended 31 December 2021 would reduce gross margin by approximately £1,100,000, excluding any gain or loss on the sale of commodity.

20. Share capital and reserves

Share capital	2020 Number	2020 £'000	2019 Number	2019 £'000
Allotted and fully paid ordinary shares of £0.005 each	**16,281,055**	**82**	16,281,055	82

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.

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000
At 1 January 2020	82	11,690	(50)	(6,424)
Loss for the year	—	—	—	(1,165)
Share based payment charge	—	—	—	320
Deferred tax on share based payment charge	—	—	—	60
Equity dividend paid	—	—	—	—
At 31 December 2020	**82**	**11,690**	**(50)**	**(7,209)**
At 1 January 2019	81	11,689	(50)	(1,282)
IFRS 16 adjustment	—	—	—	(125)
Loss for the year	—	—	—	(4,968)
Share based payment charge	—	—	—	125
Proceeds from share issues	1	1	—	—
Deferred tax on share based payment charge	—	—	—	21
Equity dividend paid	—	—	—	(195)
At 31 December 2019	82	11,690	(50)	(6,424)

The Company-only movement in reserves is as per the Company's statement of changes in equity as detailed on page 59.

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

On 28 February 2019 an employee exercised 13,500 share options. The exercise price was £0.09 per share.

21. 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.

On 4 October 2020, the Group made its first round of awards under the new executive LTIP. These awards are the first options awarded by the Group to have vesting conditions linked to the share price performance of the business.

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 31 December 2020
17 February 2016	3	17 February 2019	17 February 2026	£0.09	1	**27,000**
22 December 2016	3	22 December 2019	22 December 2026	£3.25	1	**13,500**
6 April 2017	3	6 April 2020	6 April 2027	£0.005	1	**79,110**
6 April 2017	6.5	6 April 2020	6 April 2027	£2.844	1	**158,220**
28 September 2017	6.5	28 September 2020	28 September 2027	£5.825	1	**40,500**
9 April 2018	6.5	9 April 2021	9 April 2028	£10.38	1	**78,351**
26 September 2018	6.5	26 September 2021	26 September 2028	£8.665	1	**6,539**
25 February 2019	6.5	25 February 2022	25 February 2029	£1.09	1	**53,333**
25 February 2019	3	25 February 2022	25 February 2029	£0.005	1	**250,000**
18 June 2019	3	1 August 2022	1 February 2023	£1.40	2	**86,138**
4 October 2020	3	30 April 2023	4 October 2030	£0.005	3	**287,312**
4 October 2020	3	30 April 2024	4 October 2030	£0.005	3	**210,696**
						1,290,699

The following vesting schedules apply:

1. 100% of options vest on third anniversary of date of grant.
2. 100% of options vest on third anniversary of the Save As You Earn (SAYE) savings contract start date.
3. Level of vesting is dependent on a performance condition, being the Group's share price at pre-determined dates in the future.

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

	2020 shares	2019 shares
Balance at the start of the period	**830,468**	573,290
Granted	**498,008**	437,248
Forfeited	**(37,777)**	(166,570)
Lapsed	**—**	—
Exercised	**—**	(13,500)
Balance at the end of the period	**1,290,699**	830,468
Vested at the end of the period	**318,330**	40,500
Exercisable at the end of the period	**318,330**	40,500
Weighted average exercise price for:		
Options granted in the period	**£0.005**	£0.55
Options forfeited in the period	**£1.35**	£2.29
Options exercised in the period	**—**	£0.09
Exercise price in the range:		
From	**£0.005**	£0.005
To	**£10.380**	£10.380

21. Share based payments continued

The fair value of each option grant is estimated on the grant date using an appropriate option pricing model with the following fair value assumptions:

	2020	2019
Dividend yield	**0%**	0%
Risk-free rate	**1.5%**	1.5%
Share price volatility	**117.1%**	124.3–127.8%
Expected life (years)	**3 years**	3–6.5 years
Weighted average fair value of options granted during the period	**£0.90**	£1.14

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:

	2020 £'000	2019 £'000
Equity-settled share based payment expense	**320**	125
Total share based payment charge	**320**	125

22. Commitments

Capital commitments

The Group had committed, at 31 December 2020, to the purchase of a newly developed office building and associated land at a site in Leicester. At 31 December 2020 the Group had incurred £1,163,000 of cost (£150,000 of land and £1,013,000 of assets under construction). The Group has a remaining capital commitment at 31 December 2020 of £2,207,000 (2019: £3,090,000).

Following the year end, on 10 February 2021, the Group settled the commitment by payment, in cash, of the remaining balance (with the exception of an immaterial retention amount) and took possession of the completed building. The building, following fit-out, will be occupied by the Group's sales, marketing and digital innovation teams in mid-2021.

Security

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

As disclosed in note 16, included in other receivables of the Company and 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 31 December 2020 (2019: £nil).

23. Related parties and related party transactions

The Group has transacted with CPK Investments Limited (an entity owned by Bobby Kalar). CPK Investments Limited owns the property from which the Group operates from via a lease to Yü Energy Retail Limited. During 2020 the Group paid £120,000 in lease rental and service charges to CPK Investments Limited (2019: £120,000). The amount owing to CPK Investments at 31 December 2020 was £10,000 (2019: £10,000).

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

24. Business combinations

On 7 August 2020 Yü Energy Retail Limited, a subsidiary of Yü Group PLC, acquired the business-to-business ("B2B") customer book of Bristol Energy Limited for a total consideration of £1,285,000. The acquisition is part of the Group's strategy to drive growth, both organically and by supplementing via inorganic acquisitions where earnings enhancing.

The values identified in relation to the acquisition of the Bristol Energy B2B customer book are final as at 31 December 2020. The fair values of the identifiable assets acquired and the liabilities recognised at the date of acquisition were as follows:

	2020 £'000
Customer book intangible asset	597
Trade receivables (net of provision)	924
Accrued income	344
Accruals	(580)
Net identifiable assets acquired	1,285

The accrual balance acquired of £580,000 is due for payment in August 2021.

The fair value of the consideration at the date of acquisition is as follows:

	2020 £'000
Cash paid at completion	841
Deferred consideration now paid	444
Total consideration paid	1,285

No further consideration is payable.

The fair value of the trade receivables acquired was £924,000. The gross value was £1,050,000 with a provision against expected non-payment of £126,000.

The trade receivables of £924,000 and the accrued income of £344,000 were largely converted to cash promptly post the completion of the acquisition.

On 9 November 2020, Yü Energy Retail Limited completed the acquisition of another competitor B2B customer book adding further meter points to the Group's gas customer portfolio. The transaction involved cash consideration of £388,000 to acquire trade receivables and accrued income, net of a £43,000 provision for expected non-payment. A customer book intangible asset of £65,000 was also recognised.

No business combinations or acquisitions took place in 2019.

25. Post-balance sheet events

As disclosed in note 22, the Group completed its acquisition of a new purpose-built sales, marketing and innovation office. The transaction completed on 10 February 2021.

There are no other significant or disclosable post-balance sheet events.

26. Subsidiary audit exemption

Yü Water Limited (09918643) is exempt from the requirements of an audit, for the year ended 31 December 2020, under section 479A of the Companies Act 2006.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the fifth annual general meeting of Yü Group PLC ("the Company") will be held at CPK House, Mellors Way, 2 Horizon Place, Nottingham Business Park, Nottingham, United Kingdom NG8 6PY on 27 May 2021 at 11am for the following purposes:

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

1. To receive the Company's annual accounts and the Strategic, Directors' and Auditor's Reports for the year ended 31 December 2020.
2. To re-elect Paul Rawson, who retires by rotation as a director of the Company pursuant to Article 94 of the Company's Articles of Association.
3. To reappoint RSM UK Audit LLP as the auditor of the Company.
4. To authorise the Audit Committee to determine the remuneration of the auditor.
5. That, pursuant to section 551 of the Companies Act 2006 ("the Act"), the directors be generally and unconditionally authorised to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £27,135.09, provided that this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 27 August 2022 (whichever is the earlier), save that the Company may make an offer or agreement before this authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority expires and the directors may allot shares or grant such rights pursuant to any such offer or agreement as if this authority had not expired.

   This authority is in substitution for all existing authorities under section 551 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

To consider and, if thought fit, pass the following resolutions as special resolutions:

6. That, subject to the passing of resolution 5 and pursuant to section 570 of the Act, the directors be and are generally empowered to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority granted by resolution 5 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

   6.1 in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):

      6.1.1 to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and

      6.1.2 to holders of other equity securities in the capital of the Company, as required by the rights to those securities or, subject to such rights, as the directors otherwise consider necessary,

   but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

   6.2 otherwise than pursuant to paragraph 6.1 of this resolution, up to an aggregate nominal amount of £8,140.52,

   and this power shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 27 August 2022 (whichever is the earlier), save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash after this power expires and the directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired.

   This power is in substitution for all existing powers under section 570 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

7. That, pursuant to section 701 of the Act, the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of £0.005 each in the capital of the Company, provided that:

   7.1 the maximum aggregate number of ordinary shares which may be purchased is 1,628,105;

   7.2 the minimum price (excluding expenses) which may be paid for an ordinary share is £0.005; and

   7.3 the maximum price (excluding expenses) which may be paid for an ordinary share is an amount equal to 105 per cent. of the average of the middle market quotations for an ordinary share as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which the purchase is made,

   and (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 27 August 2022 (whichever is the earlier), save that the Company may enter into a contract to purchase ordinary shares in the capital of the Company before this authority expires under which such purchase will or may be completed or executed wholly or partly after this authority expires, and may make a purchase of ordinary shares in the capital of the Company pursuant to any such contract as if this authority had not expired.

By order of the Board

Paul Rawson
Secretary
30 March 2021

Registered office:
CPK House, 2 Horizon Place,
Nottingham Business Park, Mellors Way,
Nottingham, United Kingdom NG8 6PY

Registered in England and Wales no. 10004236

Notes

Entitlement to attend and vote

1. The right to vote at the meeting is determined by reference to the register of members of the Company. Only those persons whose names are entered on the register of members of the Company at 6.00pm on 25 May 2021 (or, if the meeting is adjourned, 6.00pm on the date which is two working days before the date of the adjourned meeting) shall be entitled to attend and vote in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and/or vote (and the number of votes they may cast) at the meeting. However, in light of the coronavirus pandemic situation, shareholders and their proxies are unlikely to be allowed to attend the meeting in person if the Government's Covid-19 restrictions remain in place.

Proxies

2. A shareholder is ordinarily entitled to appoint any other person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting and, on a poll, vote instead of him or her. A proxy need not be a shareholder of the Company. However, in light of the coronavirus pandemic situation, shareholders are urged to appoint the Chairman of the meeting as his or her proxy. This will ensure that your vote will be counted even if attendance at the meeting is restricted or you are unable to attend in person.

3. A proxy may only be appointed in accordance with the procedures set out in note 6 and the notes to the proxy form. A proxy form is enclosed.

4. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given in the proxy form, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.

5. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

6. To be valid, a proxy form must be received by post at the offices of the Company's registrars, Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, West Midlands B62 8HD, no later than 11.00am on 25 May 2021 (or, if the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).

7. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Any amended proxy appointment received after the time specified above will be disregarded.

8. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Neville Registrars Limited.

9. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard-copy notice clearly stating your intention to revoke your proxy appointment to Neville Registrars Limited. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by a duly authorised officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a notarially certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Neville Registrars Limited prior to the commencement of the annual general meeting or adjourned meeting at which the vote is given or, in the case of a poll taken otherwise than on the same day as the meeting or adjourned meeting, before the time appointed for taking the poll.

10. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then your proxy appointment will remain valid.

Corporate representatives

11. A shareholder which is a corporation may ordinarily authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares. However, in light of the coronavirus pandemic situation, such representatives are unlikely to be allowed to attend the meeting in person while the Government's Covid-19 restrictions remain in place and therefore corporations are urged to complete and return their proxy form appointing the Chairman as their proxy.

Method of voting

12. Voting on all resolutions will be decided on a show of hands unless a poll is duly demanded (i) before or on declaration of the result of a vote on a show of hands or (ii) on the withdrawal of any other demand for a poll.

Documents available for inspection

13. The following documents will be available for inspection during normal business hours at the registered office of the Company and at the Company's business address, CPK House, 2 Horizon Place, Nottingham Business Park, Mellors Way, Nottingham NG8 6PY, from the date of this notice until the end of the meeting:

    13.1 copies of the service contracts of the executive directors; and

    13.2 copies of the letters of appointment of the non-executive directors.

Biographical details of directors

14. Biographical details of all those directors who are offering themselves for reappointment at the meeting are set out on pages 36 and 37 of the enclosed annual report and accounts.

COMPANY INFORMATION

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Paul Rawson

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www.yugroupplc.com

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