

BIGGER BETTER FASTER

stronger

ANNUAL REPORT AND
FINANCIAL STATEMENTS 2022



A photograph of two men in business suits shaking hands in a modern office environment. The man on the right is smiling broadly and looking towards the other man. The background shows glass partitions and office lights.

Unstoppable Momentum

**ANOTHER RECORD
BREAKING FINANCIAL
PERFORMANCE
THAT CONFIRMS
OUR ABILITY
TO SURPASS MARKET
EXPECTATIONS**

BOBBY KALAR
CHIEF EXECUTIVE OFFICER

BUSINESS REVIEW

Strong financial performance

- Strong revenue growth, up 79%, to £278.6m (FY21: £155.4m). Confidence in continuing growth supported by forward order book in excess of £350m, of which £247m (up 57% in the year) delivers in FY23.
- Adjusted EBITDA up 359% to £7.9m (2021: £1.7m) with adjusted operating margin improved significantly to 2.8% (FY21: 1.1%).
- Profit before tax up 72% to £5.8m (FY21: £3.4m), after non-cash charge of £0.9m relating to derivative accounting (2021: £3.3m gain) reflected.
- Earnings per share, adjusted and fully diluted, increased 114% to 30p (FY21: 14p).
- Strong operating cash inflow of £14.7m (FY21: £0.8m outflow), with £18.8m net cash (net of £0.2m lease liability) available as at 31 December 2022 (2021: £6.8m).
- Board proposes a final dividend of 3p per share (2021: nil) as part of progressive dividend policy, balancing working capital and investing for growth.

Significant strategic progress

- Further enhancement of 'Digital by Default' platform improving customer experience, driving efficiencies, and creating value through data science.
- Successful roll out of Yü Smart benefiting customers and improving debtor control and profitability. Yü Smart is expected to generate a positive EBITDA contribution in FY23.

Current trading and outlook

- Very strong start to 2023 with average monthly bookings significantly ahead of the record £24.5m in FY22 and contracted revenue of £247m as at 31 December 2022 for FY23.
- Meter points now accelerating following strategic rationalisation in FY22 and after the late 2021 uplift from the acquisition of the AmpowerUK portfolio.
- Improving customer cash collection performance and reduced bad debt exposure, alongside continued overhead efficiency benefits from 'Digital by Default' and positive contribution from Yü Smart, all provide potential for additional margin growth.
- Management target further improvement in adjusted EBITDA margin from the 2.8% generated in FY22 (FY21: 1.1%).

The Strategic Report on pages 1 to 55 was approved by the Board and signed on its behalf by:

PAUL RAWSON
Company Secretary
14 March 2023

Visit our website to
find out more about
Yü Group PLC



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AT A GLANCE

SECURING OUR POSITION AS A STRONG PLAYER IN A £50 BILLION+ MARKET

Our solutions

We are a business-focused energy and regulated solutions supplier, making a big impact in a £50bn+ market that offers immense scope for growth.

- › Multiple, profit contributing offerings
- › Huge opportunity for growth
- › Smart metering unlocks shareholder value

› See page 14 for more information.

Our customers

- › Micro Businesses
- › Small and Medium-sized Businesses
- › Multi-Site, Complex industrial and Commercial Companies
- › Third Party Intermediaries (“TPIs”)
- › Partners

Our channels

In 2022 we diversified our channels, building our relationships with TPIs and White Label Sellers, and bringing onboard an external contact centre to capitalise on marketing engagement.

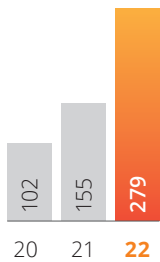
- › Online
- › Inbound
- › Outbound
- › TPIs
- › White label

ACCELERATING GROWTH

Revenue

£279m

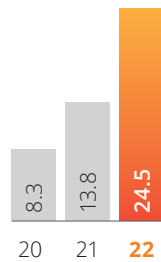
+79%



Average monthly bookings

£24.5m

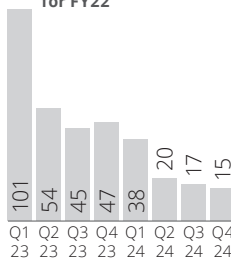
+78%



Forward revenue

£247m

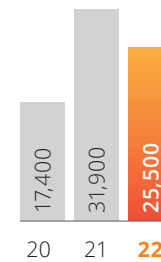
for 2023, +57% on 2021 for FY22



Meter points

25,500

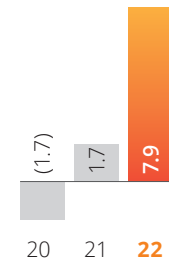
-20%



Adjusted EBITDA*

£7.9m

+359%



OUR SERVICES



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
- › Fast, flexible quotes
- › Multi-fuel savings



METER INSTALLATIONS

We provide meter installation and exchange services and are focused on upgrading our customers to smart meters.

- › Smart meters
- › Removals and relocations
- › New connections



SUSTAINABLE SOLUTIONS

We offer a range of sustainable solutions to help protect the planet and support our customers to net zero.

- › Energy data insights and analytics
- › Green electricity and carbon neutral gas
- › Electric vehicle (“EV”) chargepoint installation and supply

OUR INVESTMENT CASE

Yütility simplicity:

The only supplier offering businesses simple, comprehensive and cost-effective multi-utility plans for gas, electricity and water.

Strong foundations and well hedged:

A strong balance sheet and excellent cash generation providing opportunities to invest for growth while our strong hedge book provides certainty, with 100% of energy needs hedged.

Proven strategy for growth:

Clear financial framework delivering very strong, profitable growth in every financial KPI, with excellent earnings visibility, while the successful launch of Yü Smart provides further opportunities for growth.

Constantly innovating:

Our Digital by Default strategy is revolutionising how businesses buy their energy, continually improving customer experience, and significantly reducing our cost to serve.

Significant opportunity:

The leading challenger brand continuing to take market share in a £50bn+ addressable market with significant barriers to entry.

Expert and vested management team:

We have an ambitious, highly experienced leadership team who are committed to delivering for all our stakeholders.

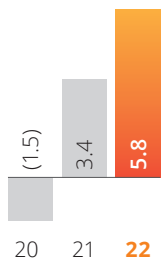
▶ See page 24 for more information.

ACCELERATING GROWTH

Profit before tax

£5.8m

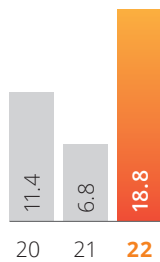
+72%



Net cash*

£18.8m

+176%



Smart meters installed

1,033

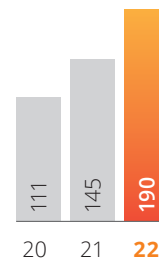
New business in 2022



Average headcount

190

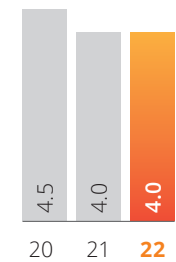
+31%



Trustpilot score

4.0

As 2021



KEY EVENTS IN 2022



Acquisition of metering and EV chargepoint installation capability

▶ See page 16 for more information.



Digital launch of integrated pricing

▶ See page 37 for more information.



Received the award for digital transformation at utility week awards

▶ See page 38 for more information.



Energy Bill Relief Scheme

▶ See page 20 for more information.

DIGITAL BY DEFAULT PROGRAMME

▶ **New sales from newly created and optimised channels** such as our online quote tool

▶ **Simplified customer service** through our online portal and initiatives such as live chat

▶ **Reduced costs** through efficiency and automation

▶ **Data led decisions** – analysing how our customers use our services, and optimising for the best experience

▶ See page 36 for more information.

* Adjusted EBITDA, Overheads and Net Cash are further detailed on pages 25, 27 and note 25 on page 102 respectively.

CHAIRMAN'S STATEMENT



ROBIN PAYNTER BRYANT
Chairman

DELIVERING HIGH GROWTH, SHAREHOLDER RETURNS, INNOVATION AND EXPERT RISK MANAGEMENT

Maintaining a steadfast commitment to “best-in-class” corporate governance as we scale the business to meet our highly ambitious targets in a £50bn+ market.



AN EXPERIENCED, SEASONED BOARD AND A HIGHLY RESOLUTE, EXPERT MANAGEMENT TEAM HAVE CONTINUED TO THRIVE AND CONTINUED TO DELIVER IMPRESSIVE RESULTS IN THE FACE OF MULTIPLE “BLACK SWAN” CHALLENGES.”

Dear Shareholders,

It is my pleasure to update you on the Group's further progress toward more meaningful and sustainable profitability, and for the first time in recent years, the proposed resumption of a modest dividend. We continue to scale our activities at pace, whilst maintaining a robust and mature approach to governance, margin protection and effective risk mitigation.

Since my appointment as your independent non-executive Chairman in January 2020, the Group has successfully weathered and emerged stronger from a succession of “black swan” events. Although still with us, the effects of the pandemic from 2020 onward and severe disruption in the energy supply markets leading to many failed suppliers in 2021 are starting to abate. In 2022 the war in Ukraine and movements in the macro-politics of energy supply in general, ushered in a period of extreme market volatility resulting in greatly increased commodity prices.

Whilst, more recently, commodity prices have normalised (partly due to unusually warm temperatures across Europe, a slight increase in available gas storage levels and relatively lower seasonal demand) we are very aware of the impact across the markets that such market volatility can have. In particular, we give great regard to the effects of this volatility on our loyal customers as well as any resultant changes or moves in the regulatory and political context to which, as suppliers of energy to UK business, we are subject.

I'm pleased and proud to report that your company, supported by an experienced Board and a resolute, highly expert management team, has continued to thrive and deliver impressive results in the face of these multiple challenges; the ultimate testament to the strength of the Group.

Continuing to deliver on our strategic priorities

Our mantra and priorities remain the same, being Bigger, Better, Faster and Stronger.

Financially, we have delivered results ahead of management's expectations for the year, and our momentum continues to build. Our FY22 revenue increased significantly, up 79.2% to £278.6m. Adjusted EBITDA has grown from £1.7m to £7.9m. Profit before tax is up 71% to £5.8m (FY21: £3.4m). Adjusted, fully diluted, EPS increased from 14p to 30p, a 114% increase. Importantly these results flowed through into cash with net cash held at the end of the period increased to £18.8m, up from £6.8m in 2021.

Reflecting our strengthened balance sheet your Board has recommended a final dividend of 3p per share as part of the reinstatement of a progressive dividend policy. We have deliberately proposed a modest dividend to allow for capital to continue to be invested in to support our continued organic growth and provide flexibility to undertake additional value-accretive potential M&A activities which could further enhance the business and accelerate shareholder returns.

Beyond these financial returns, we are pleased to report strong performance across other metrics: including in customer service and employee engagement.

Encouraged by the indefatigable and entrepreneurial vision of our CEO and supported by a close-knit senior team of industry-leading quality, we have continued to invest in technology to maintain the key customer-centric differentiation of our challenger, agile, business. We continue to position ourselves as the most agile and leading challenger to the more established and larger market participants in a £50bn+ market.

Our strategies are demonstrably delivering results and enable the Group to grow our customer book and increase our top-line sales whilst paying close attention to the quality of our margins across the links in the value-added chain and cash collection. Simultaneously we are promoting continual operational efficiencies within the Group's operations as we drive scale. The recognition that came from having won the Utility Week "Award for Digital Transformation" is a testament to the impact of the work undertaken to date. We have an ongoing programme of further innovations scheduled for 2023 and beyond.

Our acquisition of certain assets of Magnum Utilities Ltd in the year, which has been rebranded and is now fully operational as Yü Smart, also launches a new income stream for the Group and is set to unlock significant business control, pricing, rental and big data-mining benefits over the near and medium term.

The directors have an ongoing mission and mandate to identify and consider further value-enhancing M&A opportunities in order to progress the profitability of the Group. These are supplementary to our ambitious targets for accelerating prudent organic growth.

Strength in depth

Your Board's constant philosophy has been to establish, maintain and encourage a team ready to scale the Group to beyond the £500m mark of revenue. We have at Board, ExCo and senior leadership levels, established highly experienced and ambitious specialist teams. We continue to ensure that all of our teams are fit and capable of realising the Group's ambition to achieve measured acceleration in the increase of revenue and adjusted EBITDA.

The Group's operational evolution into new business unit ("BU") structures, reporting to the CEO, has seen the establishment of focused senior management teams to further drive specified business objectives. Close integration and cultural alignment ensure that optimal outcomes receive meritocratic focus as we continue to unlock cross-functional synergies and extract the maximum from every link in the value added chains across the business. Significant and stretching short-term and long-term targets have been appropriately set to align outcomes with reward.

Your Board anticipates a highly positive impact from this approach, both on the Group's overall performance in 2023 and beyond.

Engagement with our stakeholders and regulatory bodies

During FY22 your company appointed Liberum as its nominated adviser and broker ("NOMAD") as part of a set of wider objectives to enhance our shareholder reach. Our advisers provide us with robust support in ensuring compliance with AIM regulations, whilst also enhancing the quality of our engagement with both institutional and individual investors.

The Board and management team of the Group take a pro-active approach to engagement with our main Regulators, being Ofgem, Ofwat, the FCA and AIM. We have established and continue to develop best practices across the varying regulated areas as they evolve. During the year there has been an increased level of engagement with Ofgem and BEIS in response to changes in external market conditions and the need to address any potential increase in political and/or reputational risk.

Our approach to customers in debt, and aspects of the management of some of the Group's key assets have been topics of useful dialogue. During the year the Group successfully mobilised to deliver various urgent Government business customer support schemes originating from BEIS. The most material of these was the Energy Bill Relief Scheme ("EBRS") which provides a large proportion of business customers with a significant reduction in their energy bills from 1 October 2022 to 31 March 2023.

We continue to engage with stakeholders and will fully and promptly pass through all benefits due to our customers to support them through this period of unprecedentedly volatile and high energy commodity prices. Post the EBR scheme, we will also implement further schemes as appropriate. We note that current lower commodity market pricing conditions still suggest a significant, though hopefully less material, impact on our business customers' bills.

Ensuring good governance and risk management

To reflect our newer activities in the installation of smart meters and EV charging units, the Group has established a Safety, Health, Environmental and Quality ("SHEQ") Committee comprised of Bobby Kalar (CEO), John Glasgow (independent non-executive director) and other appropriately qualified colleagues.

Your Board maintains a steadfast commitment to "best-in-class" corporate governance. We seek to ensure that we can take advantage of the significant market opportunities available to us whilst keeping a tight focus on the mitigation of risk. This we effect by ensuring that our governance framework, structures, and day-to-day practices are fit and robust enough to be able to treat and navigate even abnormal or atypical market developments, both now and in the future, as "business as usual".

We continue to evolve the Group's internal capability as we scale, including through further developing our own internally available risk and internal control resources.

Reports on the activities of the Board, including the various topics considered and the Board's Committees, are set out in the Corporate Governance section of the annual report.

Our risk management framework and principal risks and uncertainties are outlined further in this Strategic Report from page 52, and have been well tested and reviewed by management, the Audit Committee and the Board.

Summary: retaining agility and control

Global and market conditions have thrown us several interesting challenges and yet we have emerged stronger than ever. We continue to deliver our Bigger, Better, Faster and Stronger strategic objectives whilst maintaining our characteristic agility as a determined challenger/disruptor.

Whilst we are pleased with the turnaround in the Group's performance over the last few years we continue to guard against complacency regarding the ongoing improvements in our governance and operational structures.

I'm enthusiastic and confident about what the future holds for your Company and very much look forward to further updating shareholders at our scheduled annual general meeting.

ROBIN PAYNTER BRYANT Chairman

14 March 2023

▶ See [page 43](#) for our section 172 statement, and [page 48](#) for our approach to sustainability

▶ See the summary of our approach to governance from [page 60](#)

BUSINESS MODEL

DELIVERING GROWTH IN OUR UNIQUE MULTI-UTILITY OFFERING: DIGITAL INNOVATION DRIVING PROFITS



CUSTOMER SEGMENTS

- > Serving all customer segments across the UK
- > Micro and SME primary target
- > Bespoke solutions for I&C segment



KEY ACTIVITIES

- > Electricity, Gas and Water supply for business customers
- > Installation and finance of electricity and gas meters, especially SMETS2 meters
- > Installation of EV charge points



VALUE PROPOSITION

- > A simple utility solution for businesses
- > All of a customer's utility needs in one place
- > Energy insight to inform customer decision making



CUSTOMER RELATIONSHIP

- > Digital-first approach for smaller customers
- > Account management for larger customers
- > UK based customer care team



COST STRUCTURE

- > Lean cost base
- > Technology allows scaling without additional cost
- > Shared costs across the Group and for new acquisitions
- > Increasing investments in technology and marketing



REVENUE STREAMS

- > Utility supply
- > Green energy
- > Customer lifecycle charges
- > Meter asset services & financing
- > EV charge point and meter install charges



CHANNELS

- > Multi-channel approach to suit customer need
- > Direct – Online or via an agent
- > Indirect – Partnering with >200 TPIs
- > White label



KEY STAKEHOLDERS

- > Shareholders
- > Our employees
- > White label and >200 Sales Partners
- > Best-in-class software partners
- > Hedging and trading counterparties
- > Government (e.g. BEIS), Ofgem and other regulators



KEY RESOURCES

- > Highly engaged colleagues
- > Best-in-class technology stack
- > Strong balance sheet

STRATEGIC APPROACH

FOCUSED ON THE FUTURE: OUR STRATEGIC PRIORITIES

The Group is well positioned to benefit from the significant opportunity available to it, creating high growth through our Digital by Default approach. As a leading independent challenger, we are integrating strategic acquisitions and leveraging the Group's efficient and scalable platforms whilst ensuring we are a responsible operator.

BIGGER

HIGH GROWTH



- › Growing in a huge market



- › Maintain and retain customers



- › Multiple routes to market



- › Strategic acquisitions

BETTER

MORE PROFITABLE



- › Consistent growth



- › Increasing customer contribution



- › Control expenditure and costs



- › Cash flow management

FASTER

DIGITAL BY DEFAULT



- › Digital by Default driving efficient customer experience



- › Smart metering services



- › Cost advantage - Lower cost to acquire and cost to serve



- › New acquisition channels creating disruption in the market

STRONGER

ROBUST SYSTEMS



- › Committed to sustainability strategy, and increasing stakeholder engagement



- › Hedging strategy to mitigate risk



- › Employee career progression



- › Experienced management team

CHIEF EXECUTIVE OFFICER'S STATEMENT

RECORD FINANCIAL PERFORMANCE AND CLEAR MOMENTUM

A record breaking financial, operational and growth performance, exceeding our expectations and delivering shareholder value.

I am in no doubt that we will continue to deliver strong results and growth over the coming years.



BOBBY KALAR
Chief Executive Officer



I AM IN NO DOUBT THAT WE WILL CONTINUE TO DELIVER STRONG RESULTS AND GROWTH OVER THE COMING YEARS."

It has been an incredible year for the Group and despite continued uncertainty in wholesale commodity markets I'm very pleased with our performance. I am in no doubt that we will continue to deliver strong results and growth over the coming years.

Our plan was to be Bigger, Better, Faster and even Stronger than in 2021. Having achieved this outcome in 2022, our plan for 2023 is continue this momentum and demonstrate our evolution into a pure scale mode.

Our revenue, adjusted EBITDA, cash generation, and numerous operational indicators exceeded management expectations in 2022. We have also hit the ground running and continuing to build momentum into 2023. I therefore remain very confident in the Group's ability to continue to deliver our ambitious strategy and unlock significant shareholder value.

Demonstrating resilience and growing in an evolving market

2022 continued to provide market challenges to energy suppliers. In March 2022, as we woke to the announcement that Russia had invaded Ukraine, we saw unprecedented volatility in the wholesale gas market sending all time high forward prices even higher.

The energy industry has seen perennial speculation about the sustainability and profitability of disruptive challengers in the gas and power supply markets. While the domestic supplier sector has experienced headwinds with the energy price cap, I see a clear path to significant growth opportunities in the business supply sector.

Commodity markets have normalised more recently, but prices compared to historic norms remain high, though less than their peak in Q3 2022. In light of this reduction in prices, and the peak over winter 2022/23, we do not anticipate any material impact on the Group through the new amended Government support scheme from April 2023.

We remain fully hedged in our commodity position which is evidenced in our improved profitability despite the market volatility. However, we have seen some operational disruption, particularly as market prices have been so volatile leading to the need for the Group to temporarily and proactively suspend new sales acquisition activities at several points during 2022. This reduced the level of new customer bookings that could otherwise have been achieved. We have also seen, perhaps understandably, customers more willing to fix prices for only a short period, again reducing the forward contract book, though we still exit 2022 with record levels of forward revenue contracted.

Despite this we have managed to continue to deliver high service levels and have significant momentum into 2023, with bookings being at record levels despite this market context and volatility.

Shaking the tree as a growing and leading challenger supplier remains our focus. We pride ourselves on bringing innovation to a benign market, underpinned by our digital by default approach. This continues to provide differentiation for the Group.

We also now see a less crowded business-to-business market, with fewer larger suppliers which leads to a more sustainable market, and also has the benefit of enabling the Group to differentiate as a leading challenger. Barriers to entry are high, and compliance with regulatory requirements even more heightened in view of the wider context.

In summary, in a volatile market we have performed very well; we have maintained our discipline and we combine innovation, including through digital, with robust risk management. I'm convinced, as markets settle, we can improve our performance even further.

Forming Yü Smart

The Group acquired the management team and certain processes and policies of Magnum Utilities Ltd in May 2022, forming the basis of Yü Smart – a new business set up to deliver installation and maintenance services for smart meters.

I'm pleased with the integration of this new team, who were busy over the summer of 2022 securing appropriate accreditations to operate from August 2022.

Whilst the business will first and foremost focus on installing smart meters for our supply customers, the service is also being offered to other suppliers (in the domestic or non-domestic sectors) and has already secured a contract with a third-party supplier.

The integration and formation of this new team is an exciting evolution for the Group, backed by a mandate from Government to accelerate the implementation. Smart meters provide significant benefits to our customers and to the Group's operation, and our involvement in the engineering activities is expected to provide further profitability improvement in 2023 and beyond.

Ambitious objectives

In addition to the establishment of Yü Smart, we have ambitious further targets to deliver benefits over the short to medium term. These include:

Organically scaling the business

Revenue increased by 79% in 2022, to £279m. With bookings continuing the strong momentum from Q4 2022 as we enter 2023, and significant differentiation in our offering including through digital, we target significant organic revenue increase for 2023 and beyond.

Reduction of bad debt

Our charge for bad debt has increased in 2022 (from 3.1% to 7.7% of revenue), reflecting the higher commodity markets though also a consequence of the Supplier of Last Resort ("SoLR") appointments made in late 2021 and early 2022. The lack of some customer information through the SoLR process led to difficulties in following our normal debt processes, and it took some time to work through the non-paying customer book (albeit such customers generated higher gross margins). For 2023, we target a significant reduction in bad debt through this newly cleansed book. We also plan further operational improvements to reduce this cost significantly.

Value enhancing acquisitions

We have demonstrated over the last three and a half years our ability to identify and implement value enhancing acquisitions. We will continue to assess potential acquisitions and will utilise our strong balance sheet where the target meets our strategic objectives.

Providing shareholder value

My team have delivered across numerous stretch targets in 2022 and I have every confidence that they will continue to over deliver in 2023 and further. Alongside these targets, we have also worked hard to improve our stakeholder engagement, including with shareholders.

Our confidence in the Group's balance sheet is reflected in the establishment of a progressive dividend policy, commencing with our recommendation to shareholders of a 3p per share final dividend for FY23. The ex-dividend date is 1 June 2023, with a payment date of 20 June 2023.

We have also worked hard to develop our investor reach, working with Liberum and other stakeholders to engage with numerous potential investors, as well as ensuring engagement with existing stakeholders.

The Group continues to transform. I'm pleased to see the increased business scale being reflected in the engagement we have with existing and potential shareholders.

Outlook

- Current trading remains strong as we enter 2023 and we are confident of achieving current market expectations;
- Significant revenue growth expected, supplementing the £247m contracted at the end of 2022 to deliver in 2023;
- Management target continued improvement in adjusted EBITDA margin, with reduced bad debt and continued overhead efficiency benefit as we benefit from our investment in digital;
- Yü Smart now fully operational and targeted to install several thousand meters in 2023; and
- Continue to seek strategic acquisitions where they enhance returns.

Continuing to deliver

Despite turbulence in the wider market, I'm pleased and proud to note that we over delivered against our financial and operational targets in 2022.

The opportunity ahead of us remains huge, and I and the rest of the Board and management will continue to drive performance to unlock shareholder benefit. I would also like to thank the entire Yü Group team for their continued efforts.

I look forward to updating the market on our progress in the coming months.

BOBBY KALAR Chief Executive Officer

14 March 2023

-
- See more on our businesses, our development plans, the integration of Yü Smart and the market context from [page 14](#)
-

A smiling man with dark hair and a beard, wearing a white and yellow striped shirt and a grey apron, is holding a large potted plant with green leaves. He is standing in a greenhouse or nursery, surrounded by various plants and flowers, including yellow and white blooms. The background is slightly blurred, showing more greenery and a window.

BIGGER

high growth
IN A HUGE MARKET

STRATEGIC REPORT

BIGGER HIGH GROWTH

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Our story

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Developing our business

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Market opportunity

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The energy market landscape

OUR STORY

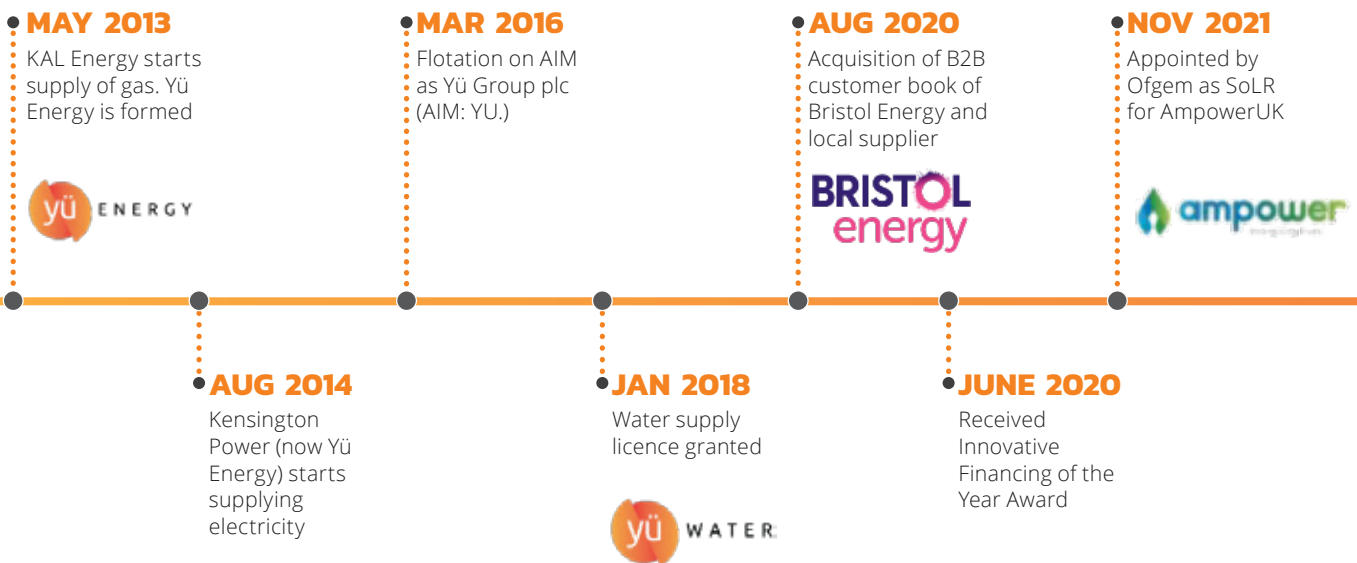
OUR DNA DIFFERENTIATES US FROM OTHER PLAYERS IN THE MARKET

We're more than just a business energy provider; delivering innovative solutions that help businesses succeed is in our DNA. Born out of frustration with poor service received whilst running his care home business, our founder and CEO, Bobby Kalar, started Yü Energy to provide a simple, effective solution that would revolutionise the way commercial consumers purchase business energy.

As the owner and manager of a chain of care homes, Bobby Kalar regularly had to review and manage the chain's energy supply. Finding that there were few suppliers who understood his business' energy needs, and struggling to find a competitive solution, he quickly realised there was a huge opportunity for a new player to disrupt the business energy market.

Kalar entered the energy sector as a TPI broker, before moving into supply in 2012 to take advantage of the market opportunity presented by deregulation. After selling his care home business in 2013, Yü Energy was formed. Beginning with gas supply from KAL Energy, and gaining electricity supply from Kensington Power shortly after, Yü Energy moved from strength to strength and in March 2016, was floated on the AIM as Yü Group PLC.

Yü Group was formed to provide business customers with a simple solution to their energy needs. Kalar recognised that business needs were not being well-served. He wanted to create easier utility solutions by shaking up the legacy approach taken by the Big 6 energy companies.



REFLECTIONS FROM BOBBY KALAR, CEO AND FOUNDER OF THE GROUP

Past

It was never a deliberate plan to move from Healthcare to Energy Supply. I didn't have direct experience of either sector and my degree did not complement these areas. On both occasions I was looking for the next big opportunity where I could scale up and shake up a sleepy market. I didn't have a specific motive or drive to enter these industries, I just wanted to follow my passion in building a business in sectors that were complex, highly regulated and very scalable.

Although it seems a long time ago now, I'll never forget when the light bulb moment scratched the itch. "If I can't beat them, then I'll join them" I was thinking about the "Big 6", who had almost perfected the art of poor service to SME. For months every fellow care home operator I spoke to had the same frustrations as I was experiencing, "poor service to business customers", "lack of transparency", "archaic". How hard could it be to start a competitor B2B energy supply business supplying the entire UK with gas and electricity?

What happened over the next two years was the hardest and most difficult period of my business life, not to mention incredibly expensive and restrictive.

Present

Fast forward 10 years and the Group has transformed into a significant market leading supplier to tens of thousands of customer supply points across the whole of the UK. The journey has not been easy or without risk. We've invested in our people, developed and integrated processes, learnt whilst on the job and overcome significant industry barriers. We've taken a business that is already highly regulated and successfully listed on AIM in 2016.

Today the trophy cupboard holds testament to our abilities to horizontally integrate complementary value adding opportunities. In 2020 during the extended lockdown the Group completed its first successful acquisition of Bristol Energy, followed by further customer book acquisitions over the following year. Notably the purchase of the Magnum Utilities team in May 2022, which in turn created Yü Smart, Yü MAP and Yü Charge and have added real fire power in terms of accelerating adjusted EBITDA and revenue protection.

In seven fast years the business has grown from stand still to revenues of over £270m and yet we are a mere 1% of the market. The industry has witnessed severe turbulence through periods like "the beast from the east", the pandemic and more recently the European gas crisis and Ukraine conflict. In each of these difficult periods the Group has fared well, not only overcoming these challenges but becoming stronger and better all the time.

Future

As we move from start-up challenger to a large disruptor, the route to growth is clearly imprinted in my mind.

We will 'mind our own business' and continue to organically grow our market share.

We will continue to demonstrate our ability to over deliver on our financial KPIs.

We will use our knowledge and agility to vertically integrate our business model.

We will maintain a strong balance sheet ready for any opportunity that may arise.

Our position as an AIM listed business will do more to help us open-up value adding opportunities in terms of growth and integration.

Our reputation and brand will become synonymous to a quality service. We will continue to create a business to be proud of that is not only rewarding but exciting and visionary.

I'm incredibly proud of our achievements but we still have plenty to do.

FEB 2022

Launch of online quote platform

Q3 2022

July: Yü Smart receive Ofgem licence to install smart meters

Aug: Yü Smart install first smart meter



NOV 2022

Received the Digital Transformation award at the Utility Week Awards 2022



FEB 2022

Appointed by Ofgem as SoLR for Whoop Energy and Xcel Power



MAY 2022

Acquisition of metering capability



OCT 2022

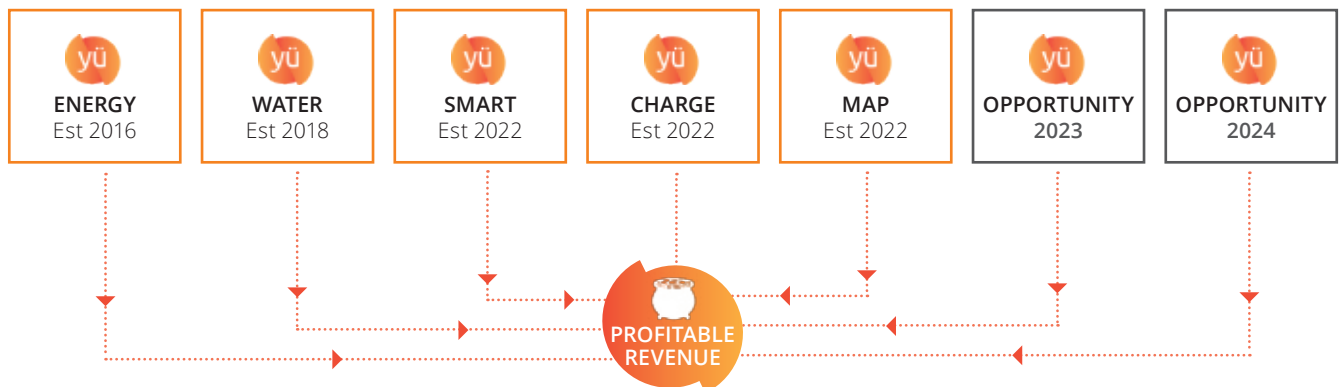
Roll out of the Energy Bill Relief Scheme for non-domestic consumers

DEVELOPING OUR BUSINESS

REVENUE GENERATING, PROFIT CONTRIBUTING OFFERINGS

Despite difficult market conditions in 2022, the Group continued to thrive, owing in part to the multiple revenue generating streams that make up Yü Retail. In 2022, we expanded the Group to include Yü Smart, Yü Charge, and Yü MAP, adding services to our portfolio which benefit our core business utilities offering, whilst expanding our target markets and potential customer pools.

OUR OFFERINGS



YÜ ENERGY

Our core service, Yü Energy, provides business gas and electricity to business customers. We are currently expanding our green energy offering in line with customer demand for sustainability.

YÜ WATER

In 2018, Yü Water was created, to offer competitive rates on business water and take advantage of deregulation. This also allowed us to create our unique multi-utility offering, helping us stand out from competitors as one of the only suppliers to offer plans for a combination of gas, electricity and water.

YÜ SMART

With our in-house metering division, we take control of the meter installation process ultimately giving our customers better control of their usage. Yü Energy benefits from a reduction in estimated meter reads and better control of customer debt.

YÜ CHARGE

As the demand for electric vehicles grows, so does the demand for chargepoint installs. Through Yü Charge, we can offer another service to our existing customers, supporting them on the transition to sustainable travel.

YÜ MAP

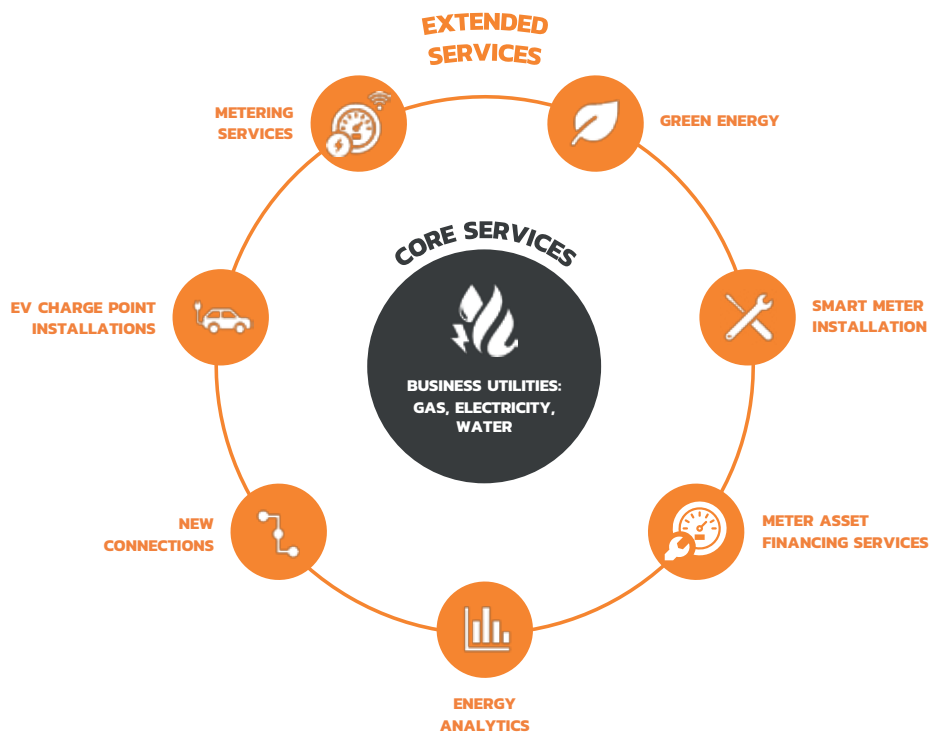
By expanding into Meter Asset Provider ("MAP") services, we are able to transform competitors into customers, through the installation and ownership of smart meters. Yü MAP, trading as Kensington Meter Assets, rents meters to other energy suppliers, allowing them to meet smart meter targets without the cost of installing them. The creation of this segment allows us greater control of meters and helps grow our share of the metering market.

DEVELOPING OUR BUSINESS: EXPANDING AND INNOVATING TO DRIVE GROWTH

After our successes with business gas, electricity and water in 2021, we expanded our service offering in 2022 to take advantage of several growing markets. With the creation of Yü Smart and Yü Charge, we are now able to offer a smart meter installation service to our customers, and to other energy providers, and EV charger installation to both customers and prospects, expanding our potential customer base and further differentiating ourselves from our competitors.

CREATING A COMPREHENSIVE, FULL-SERVICE SOLUTION FOR BUSINESSES

This approach to growing the Group offering will help us to develop a wraparound service for our customers, making us a one-stop-shop for business solutions. As we look to the future, we will investigate the potential of other services that further complement our core products and support businesses.



DIVERSIFYING OUR CUSTOMER ENGAGEMENT CHANNELS TO MAXIMISE REACH

Digital:

Customers can obtain competitive prices, sign new contracts and manage their accounts, all online through our website and customer portal.

Direct:

Customers can speak to our expert advisers for advice on the best deal for their business. We have added additional third-party sales resource to our direct sales team to ensure a quick response when demand is unpredictable. All calls are answered within three rings, providing excellent customer service.

White label:

We have onboarded a new white label partner that is focused on SME customers via TPIs.

TPIs:

We continue to expand the number of TPI partners that we work with and are offering them increasing levels of account management and technology to support their needs. We aim to continually improve the quality of the TPIs that we partner with.

DEVELOPING OUR BUSINESS continued

UNLOCKING SHAREHOLDER VALUE THROUGH NEW METERING OPPORTUNITIES

The creation of our Yü Smart metering division unlocks a huge market opportunity for the Group. The switch to business smart metering is only 50% complete, meaning there are over 1 million meters still to be upgraded.

BENEFITS TO OUR CUSTOMERS

- › Visibility of consumption at different times of the day, giving customers the ability to control their consumption at expensive times
- › Automatic meter readings save customers time and accurate meter readings reduce the risk of over or under paying
- › Customers on Pay As You Go or pre-payment plans, are able to easily top up their meter via mobile phone using the Smart Pre-pay app
- › Having our own in-house engineers gives customers peace-of-mind that they are dealing with one, comprehensive business, as opposed to dealing with subcontractors or third parties

BENEFITS TO THE GROUP

- › Better consumption insight will help us to make more informed trading decisions
- › The Group will be better placed to meet its government commitments for smart meter installations
- › Maintenance, service and rental returns provide recurring revenue
- › Debt exposure is controlled, and customers are able to access Pay As You Go products
- › Engineering capability creates new avenues for additional product lines



INTRODUCING: YÜ SMART

Yü Smart has been created to provide an in-house meter installation capability, enabling us to promptly install smart meters for our customers. The implementation of smart meters allows for improved forecasting of our customers' energy consumption, which helps them manage their expenses, maintain credit and reduces debt risk.

2022 saw the introduction of a new brand to the Group – Yü Smart. Having our own metering division is a game changer, allowing us greater control over customer meters, valuable insights into consumption, and further revenue streams, by providing installation services to other suppliers.

Yü Smart was born from a vision to create a new meter operator, dedicated to supporting the smart meter rollout programme. As an independent meter operator, we deliver nationwide rollouts of smart metering, with the best customer service, adhering to the highest levels of health and safety.

We aim to become a trusted business partner, supporting energy suppliers as they transition their customers from traditional meters, to smart meters.



THE YÜ SMART SERVICE OFFERING

With engineers operating across the entire country, from the north of Scotland to the south coast of England, Yü Smart provides meter services to a growing number of energy supplier clients, as well as installing meters for existing Yü Energy customers.

Smart meters: As a fully accredited Metering Equipment Manager, Yü Smart offers comprehensive end-to-end services to support energy suppliers.

New connections: Yü Smart work with appointed developers and energy suppliers to arrange and undertake new site meter point connections.

Electricity meters: We have expertise in the installation of single phase, poly-phase and complex metering for residential and business customers. Yü Smart install, exchange and maintain legacy and smart electric meters under the Meter Operation Code of Practice.

Gas meters: Yü Smart is also a fully accredited Metering Equipment Manager for gas meters, enabling us to install and maintain legacy and smart gas meters for both residential and business properties.

MARKET OPPORTUNITY

MULTIPLE AVENUES TO GROW IN A RAPIDLY CHANGING MARKET

The UK B2B energy market continues to present Yü Group with huge opportunity to grow. Our offer appeals to customers across the size range of UK businesses, offering simplicity and great prices to smaller customers, and more bespoke solutions to larger customers. Being focused on B2B customers means that we are not exposed to the commercial issues created by the domestic price cap.

In 2022 we have churned our customer portfolio for quality following the acquisition of a large number of new meters through the SoLR process with AmpowerUK in late 2021. We have allowed some higher credit risk customers to leave whilst acquiring larger numbers of new customers, especially in the second half of the year.

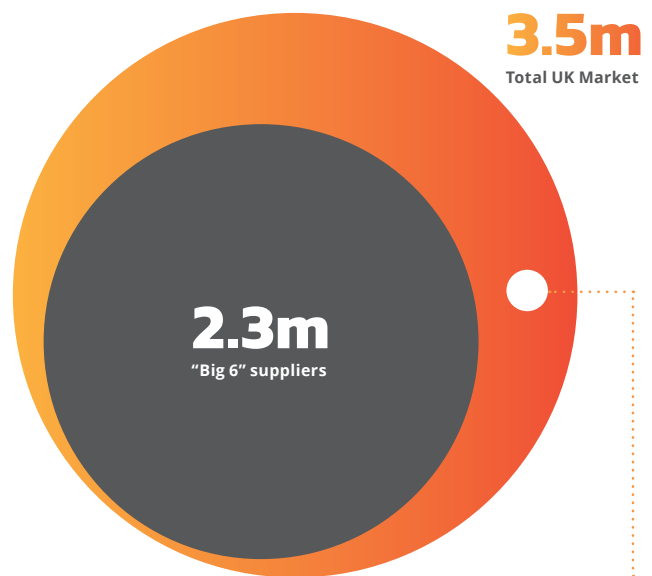
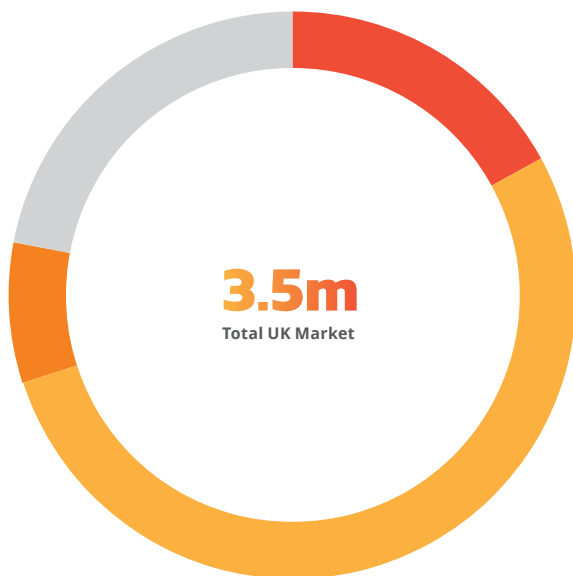
We continue to broaden our routes to market and product offer to further accelerate growth. We give our customers multiple ways of engaging with the business to suit their individual needs.

UK business energy market breakdown

	% of UK market	Number of Meters
● SME Gas Meters	17%	611,956
● SME Elec Meters	53%	1,882,950
● I&C Gas Meters	8%	270,240
● I&C Elec Meters	22%	777,987

Huge opportunity for growth in a market of 3.5m business energy meters

- > Market size: 3.5m business gas and electricity meters
- > 2.6m electricity
- > 0.9m gas



Source: Cornwall Insights Report 2022.

1%
Yü Group



New product growth opportunity through Yü Charge EV chargepoints

Yü Charge is now fully operational and presents a significant opportunity for the Group to scale this new product. We offer EV charger installation to both B2B and domestic customers and we have been able to leverage the Yü brand and marketing technology to create a large number of valuable sales leads.

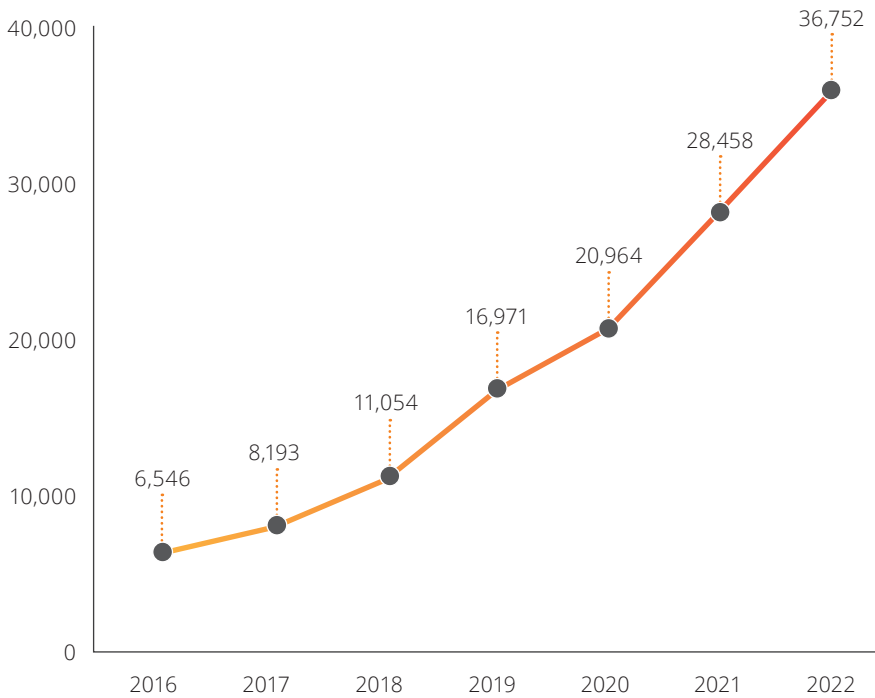
In the past few years, the UK has seen a significant increase in the number of public EV charge points installed. Between the end of 2016 and 2022, the charge point network grew five-fold from 6,546 to more than 36,000 devices. In 2022 alone, close to 8,500 charge points were added to the UK network – an increase of around 30%.

As the move to electric transport and focus on sustainability continues, we expect to see the demand for charging points in the

UK to keep rising, driven further by the ban on all new petrol and diesel cars in 2030 and the government’s support of the uptake of EV to reach net zero.

The graph below illustrates the rise in public charging points, but there is further opportunity in the need for at-home, residential chargers. We are able to capitalise on both markets by offering installation to both commercial and domestic customers.

Yearly growth of electric vehicle chargepoints



Source: zap-map.com.



THE PUBLIC’S MOVE TO ELECTRIC VEHICLES AND SUSTAINABLE TRAVEL PRESENTS A HUGE MARKET OPPORTUNITY FOR THE GROUP, AS WE BEGIN TO ROLL OUT OUR EV CHARGEPOINT INSTALLATION SERVICE.”



THE ENERGY MARKET LANDSCAPE

ADAPTING TO A CHANGING MARKET ENVIRONMENT TO ADVANCE OUR STRONG POSITION

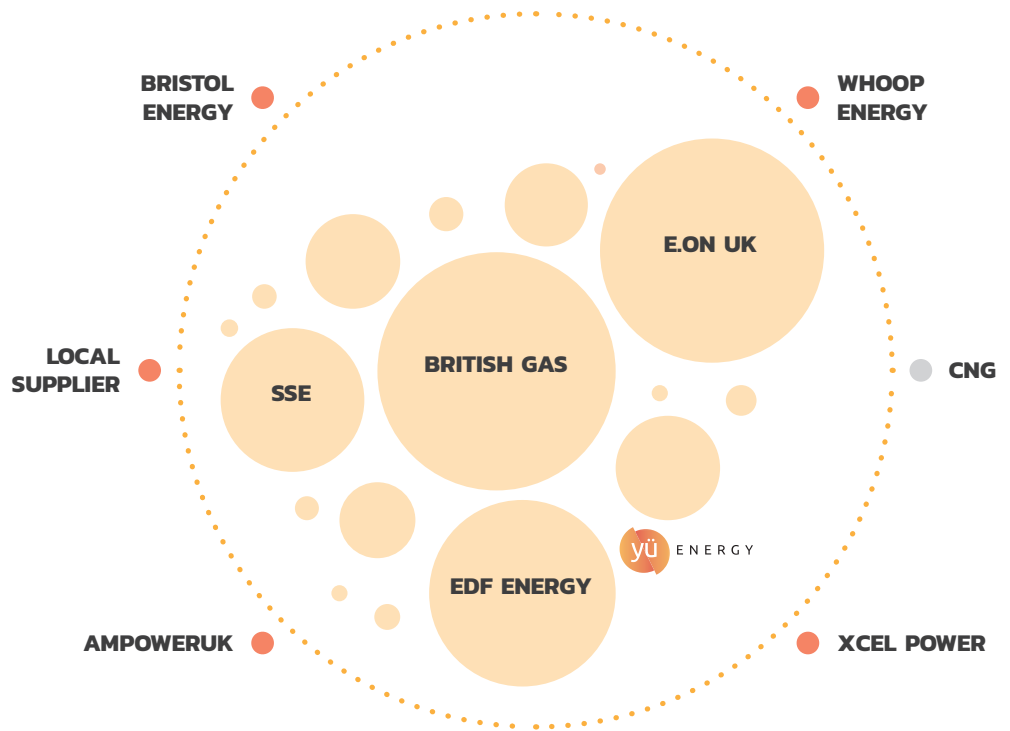
Supplier landscape

The collapse of many energy suppliers during 2021 and 2022 has changed the landscape in the UK market. Yü Group is a leading challenger brand with ambitious growth plans to join the set of large suppliers.

The actions of Ofgem during this energy crisis now make it more difficult for new suppliers to enter the market, and has removed some of the more commercially reckless players.

These are positive market conditions for a strong and stable brand like Yü Energy to accelerate market share growth.

We're shaking up the energy supplier landscape, challenging the Big 6 and cementing our position as a key player that's here to stay.



● Acquisitions by Yü Group
Source: Cornwall Insights Report 2022.

Geopolitical conditions

The geopolitical environment and lack of balance between supply and demand has resulted in a year of unprecedented volatility for UK energy pricing as shown in the chart on the next page.

Throughout 2022, Russia's invasion of Ukraine continued to drive energy prices higher, and the UK had to look to Norway, the US and Qatar to supplement energy supplies. In September, the government had to step in to support businesses with these rising costs, announcing the Energy Bill Relief Scheme.

Towards the end of 2022, leading into 2023, we began to see energy prices fall again.

As China relaxed its zero-Covid policy, and Europe saw a milder than expected winter, gas supplies were well stocked and concerns over shortages were eased.

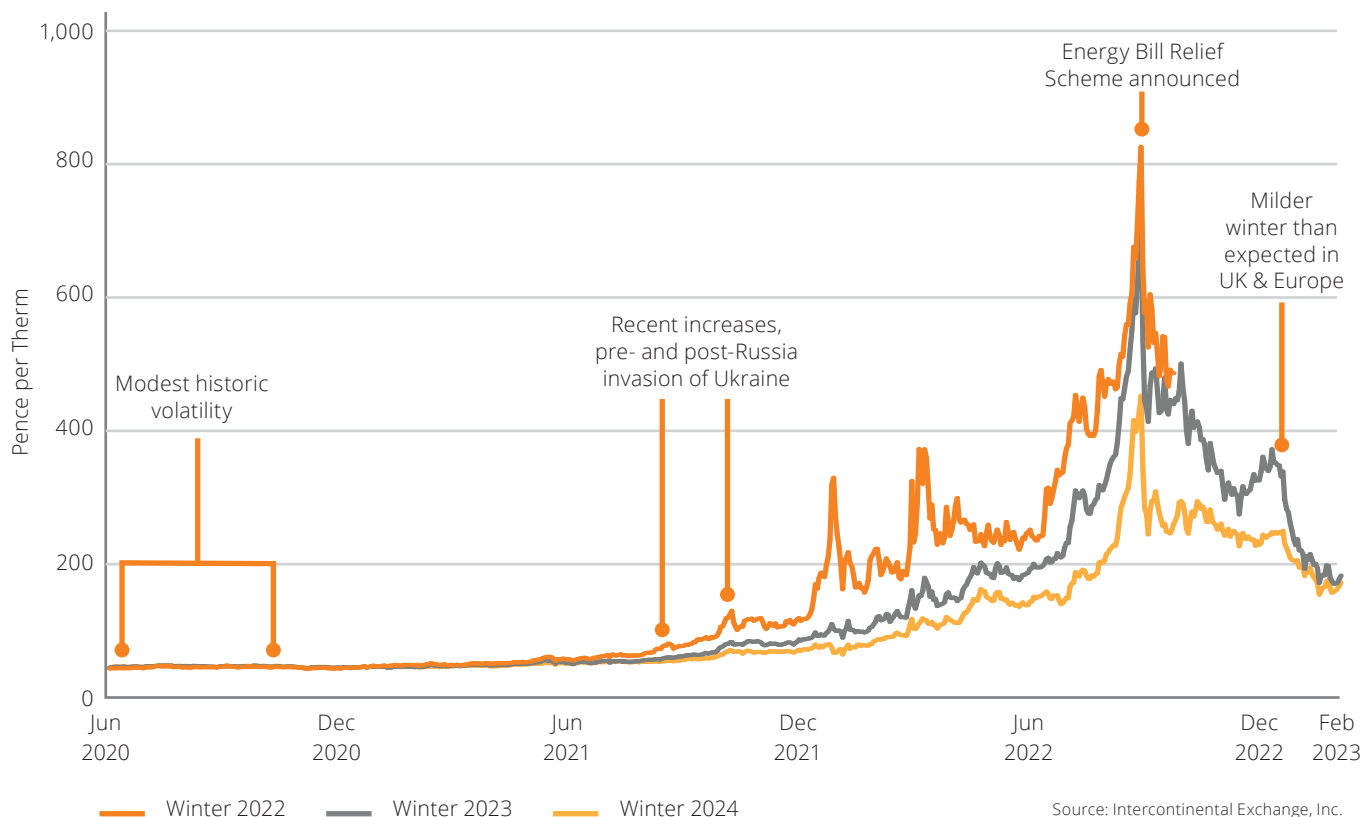
The Energy Bill Relief Scheme

The introduction of the government's Energy Bill Relief Scheme ("EBRS") gave some welcome support to our customers, with discounts starting from their October bills. The scheme also helped to reduce Yü Energy's credit risk at the same time. It did however have the unintended consequence of customers leaning towards shorter-term contracts whilst there was still uncertainty over what would replace this scheme when it comes to a finish in April 2023.

The Energy Bill Discount Scheme

In January 2023, the UK government announced that the Energy Bill Discount Scheme would be replacing the current Energy Bill Relief Scheme as of April 2023. The Energy Bill Discount Scheme will run for 12 months until April 2024, and will provide a discount on energy bills to all non-domestic customers. The discount will be per-unit and only applied if wholesale prices are above a set threshold, subject to a maximum discount.

Evolution of forward gas prices



Domestic vs Business Energy – how are they different?

The current state of the energy market may raise concerns over the sustainability of energy companies. However, there are big differences between domestic and business energy supply and the legislation put in place by the government to protect consumers. Yü Energy only supplies to businesses, and the business energy market remains strong despite the challenges facing the industry.

DOMESTIC ENERGY



Price is capped (in legislation)

For domestic customers, a price cap has been put in place, meaning that no matter how high wholesale costs go, customers will only pay up to a certain amount.



Significant government support provided

The Energy Bill Support Scheme requires suppliers to provide each eligible domestic electricity customer they serve on the Qualifying Date (first of each EBSS delivery month) with either £66 or £67 a month during each month that they are eligible for EBSS.



Suppliers are under pressure as the customer is always protected

As wholesale prices rise, suppliers will have to cover the difference between the price cap applied for customers and wholesale costs. As wholesale costs go up, so does the cost to suppliers.

BUSINESS ENERGY



No price cap

There is no price cap on business energy, meaning that as wholesale costs go up these costs are passed to end customers.



Six months' government support provided

The Energy Bill Relief Scheme provides support to eligible businesses, both in contract and out of contract, at a rate relative to their usage and payments. The amount is worked out using the government's pricing matrix, and provides a discount on the wholesale price of gas and electricity.



Ability to price commercially – cost is passed on

As there is no B2B price cap and government support depends on the price a customer is paying, as wholesale prices change so do customers' prices. This means that business energy suppliers do not have to cover the difference between the wholesale cost and price cap.

A construction worker with a beard and a yellow hard hat is smiling slightly. He is wearing an orange safety vest over a dark blue long-sleeved shirt. He is holding a grey tablet computer in his hands. The background is a blurred industrial or construction site.

BETTER

BECOMING
more profitable

STRATEGIC REPORT

BETTER MORE PROFITABLE

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Our investment case

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Our financial framework

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Key performance indicators

OUR INVESTMENT CASE

IDEALLY PLACED TO BENEFIT FROM MARKET DEMAND FOR SIMPLER UTILITY SOLUTIONS

YUTILITY SIMPLICITY THROUGH A DIGITAL BY DEFAULT APPROACH

Yü Group prides itself on being the only supplier offering businesses simple, comprehensive and cost-effective multi-utility plans for gas, electricity and water.

We offer our customers simple, fixed-price utility plans, combined with a focus on customer service, to help save businesses time and money. We make it quick and easy for customers to sign up and manage their business utility account.

Our Digital by Default strategy is revolutionising how our over 20,000 businesses buy their energy, continually improving customer experience with a focus on delivering "Yutility Simplicity", and significantly reducing our cost to serve.

▶ Read more about our Digital by Default strategy on [page 36](#)

PROVEN STRATEGY FOR GROWTH

Our clear financial framework delivers very strong, profitable growth in every financial KPI, with excellent earnings visibility, while the successful launch of Yü Smart provides further opportunities for growth.

Everything we do is underpinned by our Bigger, Better, Faster, Stronger approach.

- ▶ **Bigger:** Targeting significant growth to increase market share in a £50bn+ addressable market, delivered organically and through the strategic acquisition of customers' books from competitors.
- ▶ **Better:** Continued development of the Group's strong financial performance, through increased top-line revenue, improving net customer contribution and leveraging overheads. The Board rigorously drives performance throughout the organisation, underpinned by our financial framework.
- ▶ **Faster:** Our Digital by Default strategy drives new opportunities to grow, giving customers easy access to sign up. It also delivers further and material cost advantage and efficiency, supported by data science to enhance business outcomes.
- ▶ **Stronger:** Managing the Group's ambitious growth plans 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 industry-leading 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, and the Group has a maturing, increasingly influential approach to stakeholder management.

STRONG FOUNDATIONS WITH AN INDUSTRY-LEADING TEAM

A strong balance sheet and excellent cash generation create opportunities to invest for growth while our strong hedge book provides certainty despite volatile energy markets.

We have strengthened our position in a changing market environment with high global commodity market prices and a number of well-publicised supplier failures. Through our trading agreement with Smartest Energy, we operate under a tight risk mandate to trade forward products which de-risks market volatility shock and preserves gross margin at the point of sale.

We are led by an ambitious, highly experienced leadership team who are committed to delivering for all our stakeholders.



WE ARE LED BY AN AMBITIOUS, HIGHLY EXPERIENCED LEADERSHIP TEAM WHO ARE COMMITTED TO DELIVERING FOR ALL OUR STAKEHOLDERS."



PAUL RAWSON
Chief Financial Officer

In overview

- › Revenue increased 79% to £279m
- › Contracted revenue for FY23 of £247m, up 57% on prior year
- › Adjusted EBITDA increased to £7.9m, up £6.2m year on year
- › Profit before tax increased 72% to £5.8m
- › Operating cash inflow of £14.7m, with net cash available of £18.8m
- › Adjusted, fully diluted, EPS of 30p, up 16p in the year
- › Final dividend of 3p per share recommended

INCREASED REVENUE, ADJUSTED EBITDA AND CASH

We continue strong momentum in financial results, governed via our clear financial framework

Results summary

Our financial performance for the year ended 31 December 2022 delivered above management expectations in revenue, EBITDA and cash, and the Board is confident in continuing this strong trajectory.

Revenue of £278.6m represents a 79.2% growth in year, and we exited 2022 with £246.8m (up 57% on the prior year) already contracted to deliver in 2023.

Adjusted EBITDA (the Board's key profitability measure) at £7.9m (2021: £1.7m) represents 2.8% (2021: 1.1%) of revenue. This performance reflects higher net customer contribution margins (as we secure additional customer lifecycle value) combined with improved overhead efficiency from the Group's investment in digital.

Financial metrics

£m unless stated	Change	2022	2021
Revenue	+79.2%	278.6	155.4
Gross margin %	+6.0%	15.8%	9.8%
Net customer contribution %	+1.5%	8.2%	6.7%
General overheads %	+0.3%	(5.3%)	(5.6%)
Adjusted EBITDA %	+1.7%	2.8%	1.1%
Adjusted EBITDA	+6.2	7.9	1.7
Profit before tax	+2.4	5.8	3.4
Net cash flow	+16.6	11.9	(4.7)
Closing cash balance	+12	19.0	7.0
Overdue customer receivables	-2 days	5 days	7 days
Earnings per share (adjusted, fully diluted, pence)	+16p	30p	14p
Dividend per share (pence)	+3p	3p	—

Adjusted EBITDA reconciliation

£m	2022	2021
Adjusted EBITDA	7.9	1.7
% of revenue	2.8%	1.1%
Adjusted items:		
Non-recurring costs	—	(0.6)
Unrealised (loss)/gain on derivative contracts	(0.9)	3.3
Share based payment charge (FY21 only)	—	(0.2)
Depreciation and amortisation	(1.1)	(0.7)
Statutory operating profit	5.9	3.5

FINANCE REVIEW continued

Results summary continued

Reported profit before tax has increased by 72% to £5.8m, reflecting significantly higher adjusted EBITDA (up 359%) in the year, though non-cash derivative accounting gains reported in FY21 have not, as expected, continued.

The Group continues to follow its stated financial framework to:

- drive significant organic growth, supplemented by M&A where value enhancing;
- improve profitability via increasing customer margins and unlocking significant overhead leverage savings through our Digital by Default investments; and
- maintain robust cash management.

The Board is pleased to announce the proposal of a final dividend of 3p per share, established under a progressive dividend policy.

Building recurring revenue

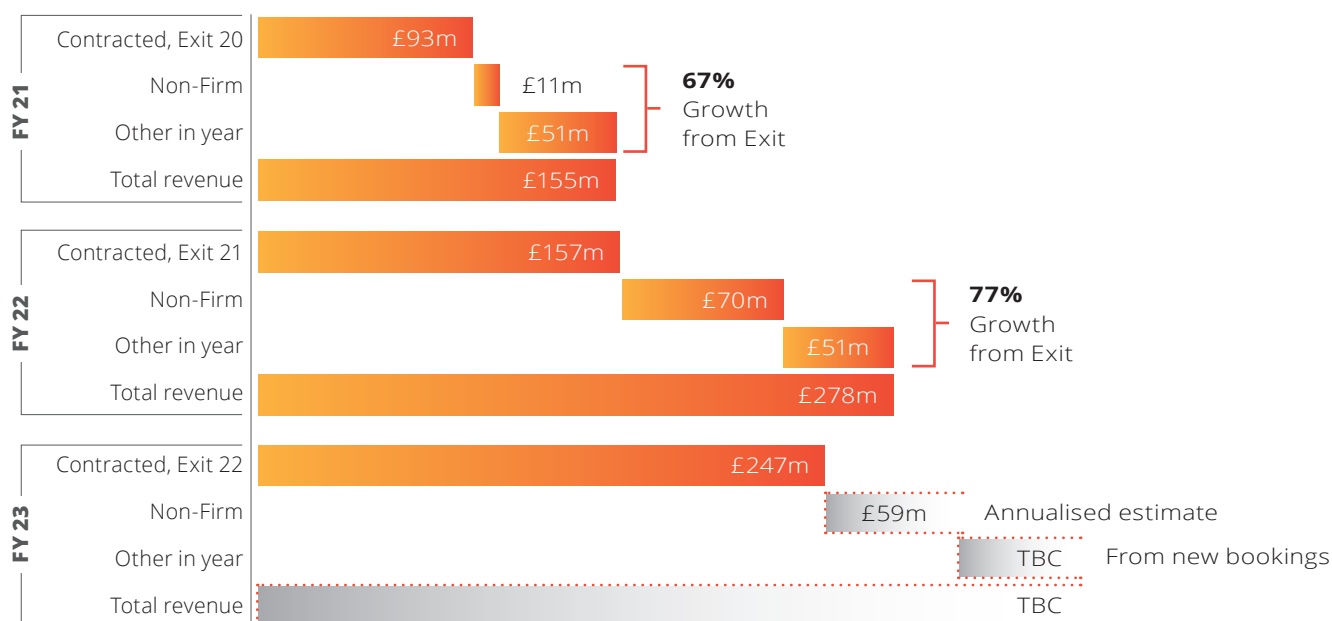
The Group has recorded a 79.2% growth in revenue year on year (an increase of £123.2m) and has good visibility for FY23.

FY22 revenue included a significant contribution from new bookings, despite some customers in H1 and Q3 2022 delaying entering new contracts based on the high commodity market environment. Record monthly bookings of new customers, at £48.6m for Q4 2022, were noted. FY22 revenue also included £70m (2021: £11m) from uncontracted (“Non-Firm”) customers.

Contracted revenue continues to provide significant forward visibility in to FY23, with £247m already contracted at the end of 2022 (2021: £157m to deliver in 2022). Contract bookings remain strong as we enter FY23, providing management with significant confidence that the Group will continue its significant growth trajectory on an organic basis.

Non-Firm volume on supply as at 31 December 2022 was 99GWh, representing (based on 31 December 2022 tariffs) annualised revenue of £59m. Non-Firm volume averaged 123GWh in FY22 due to the particularly significant H1 2022 contribution from our appointment as Supplier of Last Resort for AmpowerUK, Xcel Power and Whoop Energy in late 2021 and early 2022.

Revenue evolution £m



Investment in Yü Smart

Adjusted EBITDA includes £1.1m of operational expenditure during the ramp up of our new smart metering and EV charger installation business.

The Group acquired the management and support team, policies and intellectual property of Magnum Utilities Limited for a total investment (consideration and implementation costs) of £0.2m. Metering assets of £0.3m have also been acquired, in order for the Group to finance installations to provide an annuity revenue stream.

The Group expects to achieve significant returns from this new activity with positive EBITDA from engineering activities in FY23 replacing costs previously outsourced by the Group. In addition, management expects further benefits through increased penetration of smart meters, including:

- additional real-time data to improve billing and hedging accuracy;
- increased growth rates through the ability to offer more appropriate products to certain business segments;
- revenue and bad debt protection, including the potential for customers to access Pay As You Go products; and
- asset returns, from the installation of assets.

In relation to assets, the Board is considering an investment strategy to invest in customer assets, largely funded by debt, which would provide potentially significant additional shareholder value.

Leveraging overheads and delivering profit

The Group’s overheads were 5.3% of revenue (2021: 5.6%), which includes 0.4% (as % of revenue) impact from the investment in Yü Smart. Excluding Yü Smart overheads were 4.9% of revenue, a 0.7% improvement, driven through digital and scale benefits, with further value expected over the short to medium term.

Management is targeting a 3.7% overhead at £0.5bn revenue, representing a £8m adjusted EBITDA improvement at that scale.

General overheads actual and management target

	FY22	Medium-Term Target
Revenue	£279m	£500m
General overheads %:		
Cost to acquire	1.1%	0.9%
Cost to serve	1.7%	1.4%
New business and innovation	0.4%	0.2%
General administrative	2.1%	1.5%
Total general overheads %	5.3%	3.7%
Overhead cost	£14.8m*	£18.5m
Overhead saving at scale		£8.0m

* General overheads comprises £15.85m operating costs charged to the income statement, less depreciation and amortisation (as per note 4) of £1.05m.

The Group has recognised a £0.9m loss (2021: £3.3m gain) on derivative accounting. This is mechanically a result of the falling commodity markets leading to a lower mark-to-market asset in respect of a small proportion of forward commodity hedges. The Group holds a £3.0m financial derivative asset (2021: £4.0m) as at 31 December 2022 which is expected to unwind over the medium term. The Board notes that the derivative accounting gain or loss is a non-cash item, hence its consistent exclusion from the Group's adjusted EBITDA result.

Taxation charge of £1.1m (2021: £1.1m credit) is through deferred taxation, with the Group carrying forward large trading loss allowances (with an asset value of £4.7m) to be set against the Group's future taxable profits. The credit in FY21 included the benefit from an increased corporation tax rate announced, which enhanced the value of carried forward allowances.

Cash and balance sheet management

Cash increased by £11.9m in the year. The Group remains debt free save for £0.2m of operating lease liability.

Cash flow £m	2022	2021
Adjusted EBITDA	7.9	1.7
Working capital movement	6.8	(2.5)
Operating cash flow	14.7	(0.8)
Investing activities	(2.6)	(3.7)
Financing activities	(0.2)	(0.2)
Net cash movement in year	11.9	(4.7)
Closing cash balance	19.0	7.0

Group receivables and payables have broadly increased in alignment to the Group's business activities, providing a working capital benefit to cash. A VAT deferral of £1.1m related to Covid-19 was fully repaid in Q1 2022 which has been more than off-set by increased payables as the Group benefits from its positive working capital profile.

Capital investment includes £2.2m of Digital by Default investment, targeted to further enhance Group returns through growth and efficiency benefits. It also includes the capital investment of £0.3m in establishing Yü Smart.

Dividend and capital management

The Board recommends the payment of a final dividend of 3p per share, being circa £0.5m payable in June 2023. The level of dividend is sized to represent the significant potential opportunities to utilise Group cash to further develop the business.

Capital plans, in order of priority, for the Group are:

1. Working capital and securitisation management, including maintaining or enhancing credit lines for commodity hedging
2. Operational investment in marketing and sales to drive additional organic growth
3. Capital investment in Digital by Default to drive growth and/or overhead efficiency
4. Asset investment, including in smart meters or EV infrastructure, largely supported through debt
5. Inorganic growth, with targeted acquisitions which meet our hurdle rate
6. Dividend or other shareholder return of investment

The Board targets a progressive dividend policy, broadly aligned to earnings growth as the Group benefits from the stated strategy.

Summary: controlled progression

In summary, the Group is well placed to continue to improve financial returns to shareholders.

There is significant confidence in maintaining strong growth in revenue; and our investment in digital and our focus on customer lifecycle value is expected to further improve adjusted EBITDA margin.

Our approach to commodity hedging continues to deliver despite significant market volatility. Our investment in Yü Smart provides a significant profit improvement opportunity from FY23 and beyond.

The Board is therefore pleased to report these significantly improved results in FY22 at revenue, adjusted EBITDA and cash level, and remain focused on continuing to improve these measures over the short to medium term.

PAUL RAWSON
Chief Financial Officer
14 March 2023

OUR FINANCIAL FRAMEWORK

Our framework ties to our strategy, ensuring clear management focus on shareholder returns.

GROWTH

BIGGER | Subscription revenue model

Being Bigger in a huge market and benefiting from a subscription revenue model

Our focus:

- > High organic growth in gas and electricity supply activities
- > Supplementing contracted revenue with customers on variable, uncontracted, agreements
- > Expanding our smart metering, EV charging and other market segments
- > Inorganic growth in existing or new market segments

Our position:

1%

market share

£24.5m

of average monthly bookings

£247m

of revenue already contracted for FY23

+79%

organic incremental growth in-year¹

7

business integrations since H2 2020

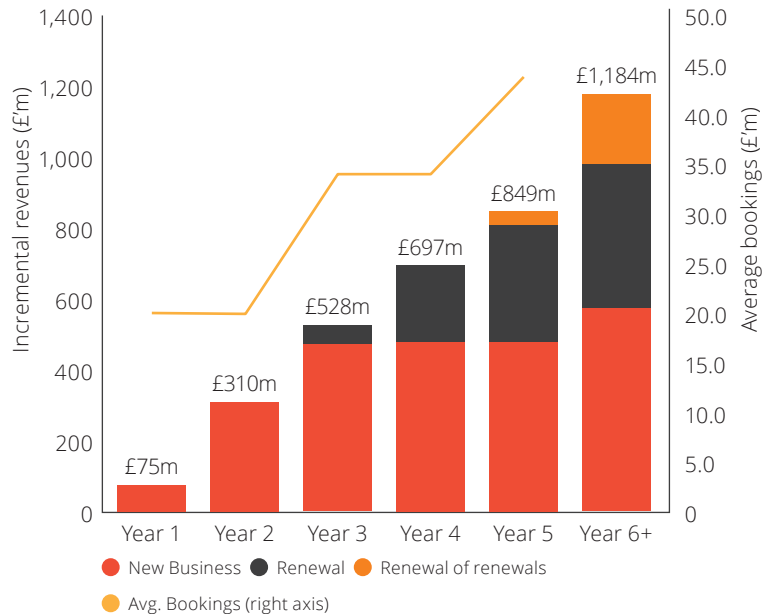
¹ Represents the difference between the contracted value at 31 December 2021 with the actual out-turned result, excluding any inorganic growth impacts.

Illustration of scale:

The chart illustrates the potential (using indicative values) for growth from monthly bookings of new contracts, assuming:

- > £20m of average monthly bookings;
- > a three-month delay in contract start date and a 24-month average contract term;
- > contract renewals at 70%;
- > a "standing start" (i.e. there is no existing contracted revenue assumed); and
- > contracted revenue only, which excludes revenues from variable (uncontracted) supply to customers, and any contract terminations.

In this example, incremental revenues from £20m/month initial bookings would indicatively deliver, in Year 3 and from a standing start, over £500m of revenue. Average monthly bookings (right axis) also increases to over £40m in Year 5, as the Group renews contracts.



ADJUSTED EBITDA



BETTER | Net customer contribution



FASTER | Leverage overheads

Generating Better net customer contribution (improving gross margin and controlling bad debt)

- › Ensuring a quality customer book, priced dependent on credit risk
- › Strong hedging and customer lifecycle management
- › Managing customer credit risk, with continual improving processes
- › Increasing our smart metering capability to deliver better outcomes

Our position:

8.1%

net customer contribution, up 1.4%

5.3%

general overheads, down 0.3%

Our Faster, Digital by Default, approach allows us to leverage overheads as we scale

- › Unlock scale benefits by ensuring our platforms are fit for growth
- › Increase efficiency, via technology, in our sales and operational teams to reduce cost to acquire and cost to serve
- › Ensure efficient and managed administrative costs
- › Invest op-ex (e.g. marketing or new business) to enhance future value

£1.1m

op-ex investment in Yü Smart, for returns in 2023+

£8.0m

targeted overhead benefit at £500m revenue

CASH



STRONGER | Close cash and capex management

Having Stronger controls and governance to support working capital and manage risk and capex

Our focus:

- › Prompt “bill to cash” conversion of trade receivables
- › Continued cash investment in marketing and digital to accelerate profitable growth

Our position:

£18.8m

net cash

Zero

debt

- › Robust hedging of commodity risk, with suitable credit lines
- › Reviewing the potential to invest in customer assets (e.g. smart meters) and the introduction of debt
- › Ensuring appropriate dividend, which progresses with the Group's earnings whilst enabling ambitious growth targets to be secured

£14.7m

operational cash flow

3p

per share proposed as a final dividend

KEY PERFORMANCE INDICATORS

CONSISTENTLY IMPROVING PERFORMANCE

Links to strategy:

- 1 Bigger (High growth)
- 2 Better (More profitable)
- 3 Faster (Digital by Default)
- 4 Stronger (Well managed)

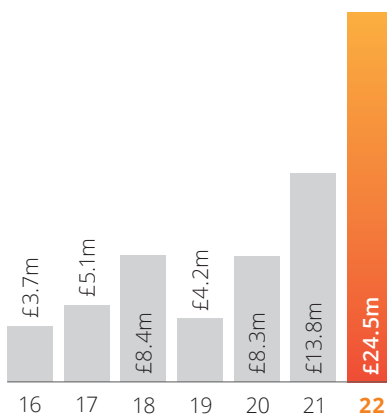
Link to strategy: 1 2 4

AVERAGE MONTHLY NEW BOOKINGS

Average contract term: 24 months

£24.5m

Increase of 78%



Definition

Bookings represent the estimated¹ annualised revenue (or contract term if less than one year) of new business signed for the supply of energy, averaged on a monthly basis. Such bookings are secured through renewal or cross-sell of additional services with existing customers, or the acquisition of new customers through various sales channels.

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

Performance

Significant increased activity in the year was noted over the year, with an increase of 78% for the year.

Performance was particularly accelerated post the government's introduction of the Energy Bill Relief Scheme announced in Q3 which had, until then, meant some customers delayed the decision to renew or enter new contracts. The monthly average bookings in Q4 were £48.4m.

Target

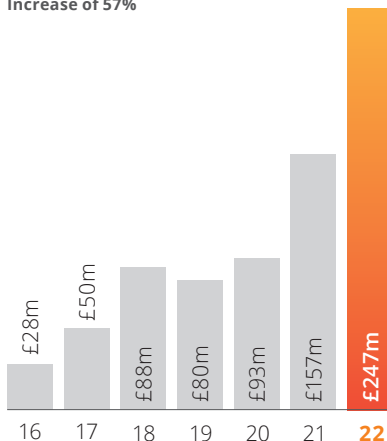
The Board expects further growth in bookings, with the Q4 run-rate being set as an internal target as the Group scales in the significant UK market opportunity available.

Link to strategy: 1 2 3

CONTRACTED REVENUE (ONE CALENDAR YEAR FORWARD)

£247m

Increase of 57%



Definition

The estimated revenue value from agreed contracts with customers for the next financial year.

The KPI excludes revenue contracted beyond a year forward, and any out of contract customers (being those customers who are supplied energy by the Group but do not have a fixed price and fixed term contract).

The level of contracted revenue represents a good basis on which to calculate potential growth in revenue for the next year.

Performance

Contracted revenue at the end of 2022 for delivery in 2023 was £247m, being 57% above that at the end of 2021 (for delivery in 2022). This significant increase reflects the high sales activity achieved by the Group during 2022, and the higher price environment.

This basis provides confidence to management in the ability to continue to achieve high growth in revenue in FY23 and beyond.

Target

Management sets internal targets to increase the contracted revenue by the end of 2023, for delivery in 2024, to be significantly above the £247m contracted for delivery in 2023.

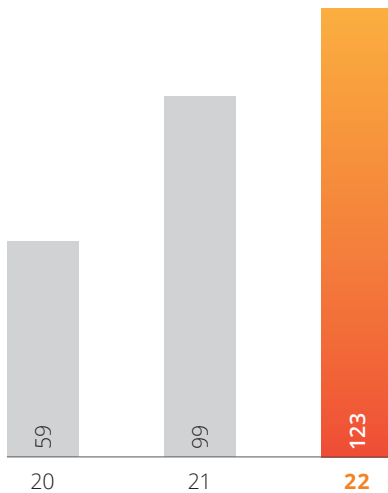
Link to strategy: [1](#) [2](#)

AVERAGE UNCONTRACTED VOLUME

99GWh

at 31 December 2022

£59m² potential full-year revenue



Definition

This is a new KPI which notes the monthly average of estimated annualised volume of energy (in gigawatt hours ("GWh")) where customer sites are supplied on a deemed or out of contract basis (comparatives for FY20 and FY21 are provided for illustrative purposes). Such customers typically have taken over responsibility of a property which was already supplied by the Group (deemed basis) or held a previous contract which has now expired (out of contract basis). The measure also includes customer volume transferring on a deemed basis to the Group following appointment as Supplier of Last Resort ("SoLR").

Uncontracted volume is based on the Group's published variable tariffs, which are regularly reviewed to ensure they reflect underlying commodity markets. These tariffs attract higher risk premiums (and hence revenues) in view of their uncontracted and flexible basis, and generally have a higher level of bad debt risk. The Group also actively encourages customers to enter contracts.

Performance

Average uncontracted volume increased by 24.0%, including transfers post-appointment as SoLR for Ampower, Whoop and Excel customers in Q4 2021 and Q1 2022, and the delay by some customers in entering new contracts pending the release of information relating to BEIS's Energy Bill Relief Scheme.

A more normalised level is considered by management reflecting the 99GWh annualised volume on supply at 31 December 2022. This would (if all customers continue to be supplied by Group) accrue revenue², based on tariffs at 31 December 2022, of £59m in 2023, which is additional to the contracted revenue reported by the Group (as demonstrated on page 26).

Target

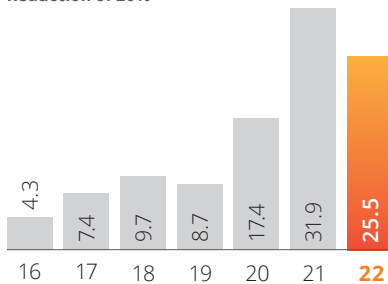
With continued growth in business activities, management expects average uncontracted volume to increase moderately. This reflects customers churning to out of contract rates, mitigated by management actively encouraging good customers to enter new contracts (which may lead to a reduction in uncontracted volume, with an increase in bookings and contracted revenue).

Link to strategy: [1](#) [2](#)

SUPPLY METER POINTS

25.5k

Reduction of 20%



Definition

The total meter points demonstrate the gas, electricity and water supply points served or under contract to be served by the Group at the relevant year end. They represent the number of utilities, per premises, which are supplied gas, electricity and/or water by the Group, as an approximate indicator of business growth.

Performance

The reduction is a result of the 2021 number including the impact of the SoLR award for AmpowerUK, which led to 8,158 meters transferring to the Group on an uncontracted basis in late 2021.

Management is pleased with the underlying performance, which reflects a robust approach to customer selection.

Target

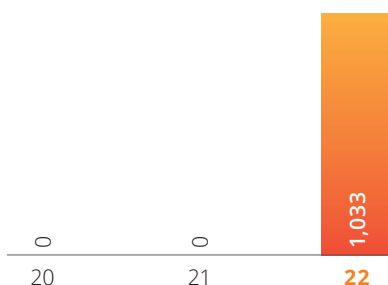
In line with the Group's growth strategy, the Board targets continued organic and inorganic growth. Internal management targets note an increase in this metric of over 25% for 2023.

Link to strategy: [1](#) [2](#)

ASSET INSTALLATIONS

1,033

New business in 2022



Definition

Through the newly established Yü Smart and Yü Charge activities, the Group now installs smart and other metering units, together with Electric Vehicle charging units.

Asset installations reflect the number of meters and EV sockets installed in the period.

Performance

These are newly established businesses which have commenced activities in the year. The Board is pleased with the performance achieved.

Target

The Board targets a significant increase to several thousand installations for 2023 as this new business becomes more established.

¹ The actual amount of revenue recognised can typically vary by up to 20% due to the inherent estimation involved in this calculation.

² Based on applicable tariffs at 31 December 2022, and assuming all uncontracted volume remains on supply during 2023. In view of the inherent uncertainty in such tariffs and volumes, this amount is for illustration purposes only.

KEY PERFORMANCE INDICATORS continued

Link to strategy: **4**

ACCIDENT FREQUENCY RATE

Incidents per 100,000 hours worked

0

Ensuring strong foundations as we scale activities

0	0	0
20	21	22

Definition

As the Group now conducts engineering activities, the Accident Frequency Rate ("AFR") is a key metric to measure the safety performance of our operations.

It is calculated as the number of accidents resulting in an absence of more than one day per 100,000 hours worked. This metric is used in conjunction with other key performance indicators such as near misses, minor accidents, and RIDDOR incidents, to provide a comprehensive view of our safety performance.

Performance

During the reporting period, Yü Group achieved a record of zero lost time injuries. This is a significant accomplishment and reflects our commitment to the safety and wellbeing of our employees.

Target

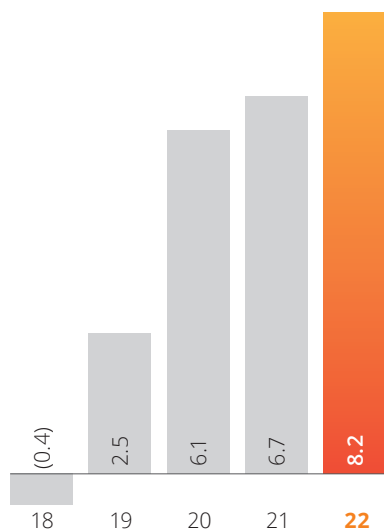
Our goal is to achieve zero lost time incidents and therefore a zero AFR. We strive to improve our AFR performance at all times and note that an AFR below five (per 100,000 hours worked) would place us as one of the safest performers in the industry.

Link to strategy: **2 4**

NET CUSTOMER CONTRIBUTION

8.2%

Improvement of 1.5% in 2022



Definition

Net customer contribution measures the profit contribution, as a percentage of revenues, directly linked to customer contracts. This consists of the gross margin reported adjusted for any non-recurring items³, 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 sales channels, cross-sell of multiple products, managing lifecycle initiatives and mitigating bad debt and expected credit loss.

Performance

The Group continues to improve its profitability, with contracts sold at improved margins and increased customer lifecycle values being achieved with improved commercial strategies. Bad debt has increased, largely due to the higher price environment and the increased uncontracted volume supplied to customers (including from SoLR appointments).

Increased charges for bad debts, at 7.7% of revenue (2021: 3.1%), has been more than mitigated by a higher gross margin, at 15.8% (2021: 9.8%) achieved.

Target

Management has become increasingly mature in optimising the Group's gross margin through the adoption of commercial strategies, supplemented by insight through data and delivered via the Group's digital systems.

The Group is due to release additional digital technologies in H1 2023 to further improve the customer collection cycle, and the adoption of smart meters will also provide additional bad debt reduction benefits. Management therefore targets increased net customer contribution in 2023 and beyond.

³ The only non-recurring item incurred was the impact of Covid-19 in H1 2020.

Other key performance indicators

Adjusted EBITDA is the key profitability measure used by the Group as referenced throughout the Strategic Report.

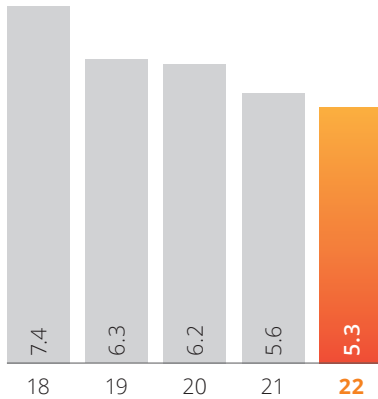
In addition, the Board and Executive Management Team monitor various other financial and non-financial metrics to manage the business and drive forward profitability. Such metrics include reported dangerous occurrences and near misses, the Group's Trustpilot and Net Promoter Score, total contracted revenue, average term of contract, contract renewal rate, ratio of billing to cash, customer engagement via digital channels, employee engagement and compliance with covenants and internal risk policies.

Link to strategy: [2](#) [3](#) [4](#)

GENERAL OVERHEADS

5.3%

Improvement of 0.3% in 2022



Definition

General overheads represent, as a percentage of revenue, the overhead expenses (excluding bad debt) charged to adjusted EBITDA. They comprise the operating costs, on a normalised basis, before the impact of movements in derivatives charged to the income statement and exceptional or non-recurring costs. From FY22, the amount includes the charge for share based payments.

Such general overheads are allocated by management between cost to acquire (incurred in sales, marketing and pricing new business), cost to serve (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, aligned with the Group's strategy to leverage overheads with scale. This improvement is despite a circa £1.1m investment in overheads (0.4% of revenue) for the set-up of Yü Smart, which is expected to create significant improvement in net customer contribution over FY23 and beyond.

Target

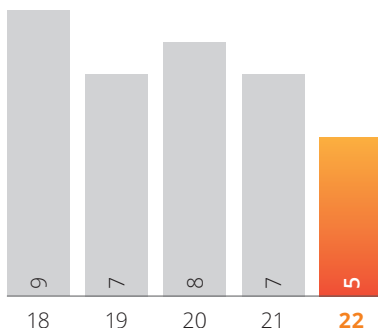
As a result of the efficiencies brought by scaling the Group, close control over fixed overheads and the use of digital technologies, the current 5.3% overheads incurred by the Group is expected to continue to reduce in FY23 and further (to below 4%) over the medium term.

Link to strategy: [2](#) [4](#)

OVERDUE CUSTOMER RECEIVABLES

5 days

Improvement of 2 days in 2022



Definition

Overdue customer receivables ("OCR") represent 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 demonstrates unprovided risk to the income statement on such balances.

Performance

A robust performance has remained in this key measure, with a two-day improvement.

The Group has a prudent bad debt and expected credit loss provisioning policy, which is clearly evident from the OCR metric.

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, the Board targets OCR to be below 10 days in FY23, though we will closely monitor for any deterioration caused by customers delaying payments based on increased tariff rates as a result of high global commodity market prices.

Links to remuneration

Management bonus incentives are linked to business growth, profitability and other KPIs to deliver appropriate outcomes.

The Group has previously awarded performance shares which are linked to share price growth. More recent award of LTIPs under performance shares awards link vesting requirements to the achievement of certain stretching business performance conditions, with such conditions set and to be monitored by the Remuneration Committee.



FASTER

DEVELOPING OUR

*Digital by
Default strategy*

FASTER DIGITAL BY DEFAULT

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Development of Digital by Default

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Technology stack

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Digital by Default case study

DEVELOPMENT OF DIGITAL BY DEFAULT

CONSTANTLY EVOLVING THROUGH OUR DIGITAL BY DEFAULT PROGRAMME

Our Digital by Default programme is designed to increase efficiency, drive business agility, and unlock new value for customers, employees and shareholders.

Improving and simplifying the customer experience:

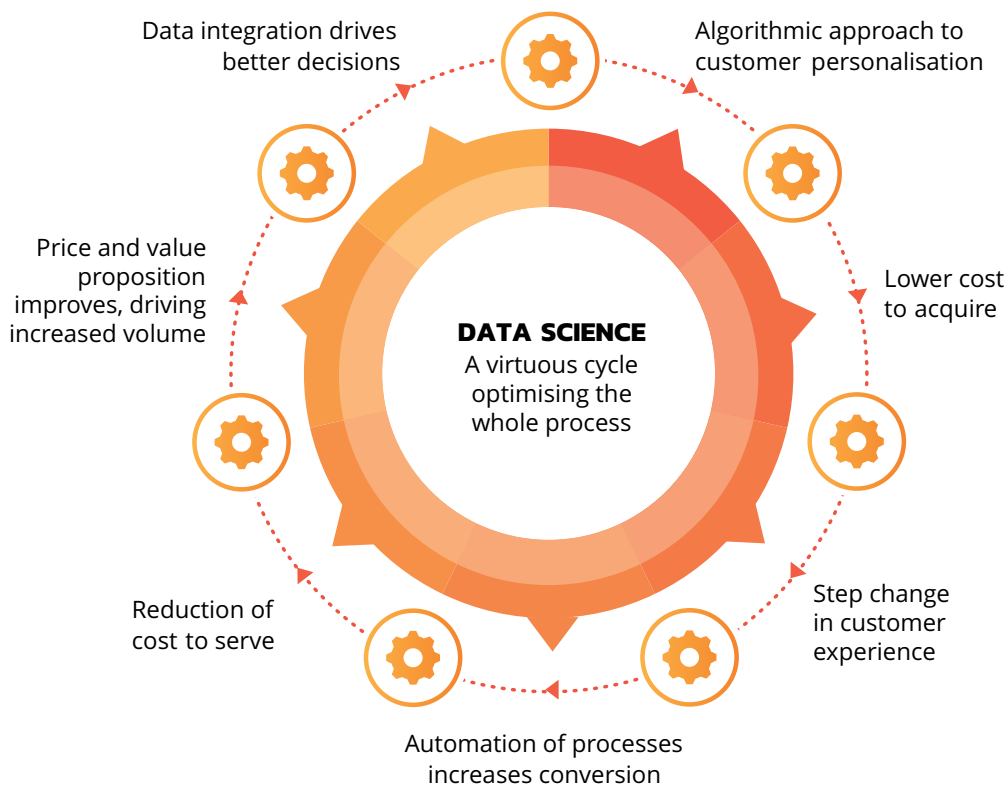
- > Continually improving our online quote tool, to provide customers with fast quotes in just 27 seconds
- > Increasing our investment in marketing with more sophisticated digital strategies and enhanced customer journeys with multiple touch points at each stage of the lifecycle
- > Driving brand awareness and acquisition of target customers through multiple digital channels
- > Continuing to develop our customer portal, adding new features to allow seamless, smart utility account management and support

Using dynamic, automated systems to drive cost efficiency and upgraded processes:

- > Reducing the cost to acquire and serve customers by developing automated and personalised quotes, contracts and journeys
- > Minimising additional incremental cost by enabling prompt, low-cost and efficient onboarding of acquired customer books, or integrating new sites secured organically
- > Improving the customer lifecycle by introducing Robotic Process Automation ("RPA") to upgrade operational processes
- > Improving insight and process automation to enhance our customer debt collection processes

Creating value by using data science and technology to inform decisions:

- > Analysing smart meter data to highlight potential new commercial opportunities
- > Using customer behaviour data to identify new opportunities for increasing customer value
- > Harnessing the power of algorithmic personalisation to maximise customer attraction, conversion and retention



DEVELOPMENT ROADMAP

2022

- › Launched online instant quote tool
- › Created efficient agent and broker sales journeys
- › Implemented ultra-fast bespoke pricing engine
- › Enhanced marketing automation
- › Launched new customer self-serve portal

2023

- › Increasingly multi-channel customer acquisition
- › New reporting tools for better decision making
- › Enhanced renewal and customer lifecycle journey
- › Implementation of new collection processes and ERP to automate and manage financial processes
- › Enriched online self-service, knowledge base and live chat

DIGITAL BY DEFAULT: WHAT IT MEANS FOR OUR BUSINESS AND OUR CUSTOMERS

INSTANT, ONLINE QUOTING

We have developed and improved our online quote tool through our digital transformation programme, to offer hassle free, instant quoting for small and medium sized businesses. The platform offers SMEs a choice of plans and online quote in as little as 27 seconds. To complete the journey, they can then go on to choose their plan and sign their contract, all in just a few minutes. Further enhancements to the platform are planned during 2023 to enhance customer experience and drive more traffic to this tool.

Digital by Default is our overarching principle for how we work and grow the Company. From our marketing campaigns to our customer journey and business processes, it's about adopting a digital-first approach to development. But what does it mean and how will it benefit our business and our customers?



BUILDING ON OUR DIGITAL BY DEFAULT APPROACH WILL CONTINUE TO DRIVE GREAT RESULTS IN 2023."

Benefits to our business

As an innovative player in the business energy market, we must respond quickly and effectively to constantly evolving opportunities when they present themselves.

Our Digital by Default approach allows us to:

- › unlock significant growth at speed, delivering a differentiated offer to attract customers in a sector which holds huge potential;
- › build scale and efficiency, whilst reducing both the cost of acquiring customers and the cost to serve them;
- › use big data, artificial intelligence, and robotic process automation to develop exciting new propositions that better attract and serve customers;
- › continue to analyse customer and prospect data, allowing us to develop a deeper understanding of their needs and how we can best serve them;
- › gain insights that enable us to make faster, smarter business decisions and get the most from every commercial opportunity, by harnessing the power of advanced analytics;
- › engage with customers in new, more sophisticated ways, which is crucial to generating the most value throughout their relationship with us, and to differentiate us from the wider market;
- › focus on advanced segmentation, targeting, and personalisation to maximise the conversion of potential customers into new business, and generate growth through cross-selling, value-adding services and renewals.

Benefits to our customers

The aim of our Digital by Default approach for customers is simple: making it as easy as possible to do business with us. This means:

- › a seamless, simple online experience, throughout all stages of the journey. From instant online quotes, to allowing customers to service all aspects of their business utility account quickly and easily, wherever and whenever they want. We deliver rapid and straightforward sign-up, intuitive online account management and speedy, straightforward renewal. It's all about saving time for busy businesses;
- › more competitive pricing because our Digital by Default programme means we can reduce how much it costs to serve our current customers and acquire new ones;
- › clear, transparent and timely communications that ensure customers are fully up to date with all aspects of their account. Instant alerts mean they are informed and empowered when they need to take action;
- › smart, personalised recommendations to provide customers with ways to optimise their energy portfolio cost-effectively, improve energy efficiency and adopt sustainable solutions.

TECHNOLOGY STACK

DRIVING GROWTH AND EFFICIENCY THROUGH TECHNOLOGY: OUR TECHNOLOGY STACK

In a volatile market, agility is everything. That’s why, during 2022, we implemented a new technology stack that is the foundation of our Digital by Default strategy and allows us to quickly adapt to a changing market and to the needs of our customers.



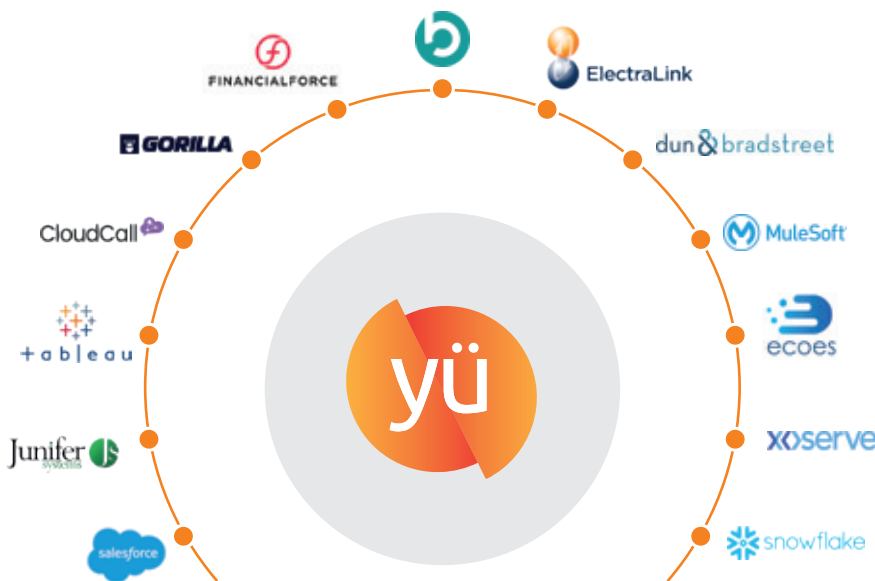
We are very proud to have been recognised as the Best Digital Transformation of 2022 at the Utility Week Awards.

We take an API led approach to best-in-class technology which means:

- Systems are easier to integrate.
- Development effort is kept to a minimum.
- Changes can be made at pace.

The interconnectedness of our systems through a common platform makes it easier for us to take data-led decisions and opens the door for more advanced analytics.

During 2023 we will be adding further functionality with the implementation of a new ERP. FinancialForce benefits from native integration into Salesforce and will allow us to produce financial reporting and accounts with fewer resources, and will also facilitate the automation and improvement of our collections journeys for customers that fall into debt.



OUR MISSION IS TO CREATE YÜILITY SIMPLICITY FOR B2B CUSTOMERS.

WE HAVE COMBINED SOFTWARE PLATFORMS TO MAKE PROCURING BUSINESS SUPPLY AS SIMPLE AS ORDERING A PIZZA."

HOW DIGITAL BY DEFAULT IS IMPROVING OUR RENEWAL RATES

The challenges:

Our recent growth and acquisition of new meter points means that there are significant numbers of contracts to be renewed. Success in this area will have a compounding effect on our growth as we continue to acquire more new contracts throughout the next year. We will continue to grow our marketing and support efforts, building on last year’s strong foundations, in order to retain high levels of renewals.

The uncertainty surrounding the government’s Energy Bill Relief Scheme and its restriction to April 2023 has meant that many customers have taken out shorter-term contracts during 2022 than was the case in previous years. The consequence of this is that we will have even more contracts to renew during the year; focus on efficiency and automation will be key to our success.

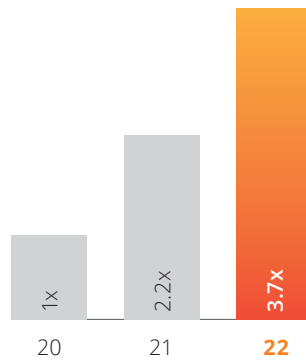
Our digital customer renewals journey:



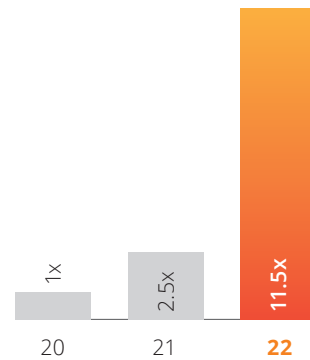
The results:

- > Increased engagement from customers, leading to excellent rates of renewals
- > Provided support and nurtured customers, meaning we are at the forefront of their minds when they’re ready to renew
- > Reduced the cost to serve our customers, cutting out a lot of the manual work involved
- > Offered quick quotes, and digital contracts meaning customers were able to secure their renewal instantly

3.7x
More direct renewals by number of meters



11.5x
More revenue generated by renewals than 2020



What’s next?

- We have a number of areas of opportunity to further improve our renewal performance:
- > Continuous improvement of our marketing-led journeys to maximise engagement
 - > Increasingly personalised contract pricing to sell at the right price at the right time
 - > Further marketing technology investments to optimise our content
 - > Faster pricing means more contracts priced and more renewals
 - > Better business intelligence and reporting to ensure we are selective in the contracts we retain



STRONGER

STRENGTH IN
robust systems

STRONGER ROBUST SYSTEMS

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Customer case studies

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Principal risks and uncertainties

SECTION 172 STATEMENT AND OUR STAKEHOLDERS

OUR STAKEHOLDERS ARE AT THE HEART OF OUR BUSINESS

We aspire to create a regular engagement plan that benefits our stakeholders, including our shareholders, customers, people, regulators and community.



WE APPOINTED LIBERUM IN 2022 TO INCREASE OUR INVESTOR REACH... AND WE TAKE A PRO-ACTIVE APPROACH TO ENGAGEMENT WITH OUR REGULATORS."

Engaging with our shareholders

- › Regular meetings and presentations following key events and results announcements in the year
- › Review of broker (and other investor facing advisers) to ensure appropriate stakeholder communication
- › Online presentations at key times of the year (AGM/Annual Results)
- › Full year and half year trading updates shared via website and social media
- › Ensuring appropriate dialogue via the investor relations contact
- › Continued investor and financial press engagement to ensure messaging reaches appropriate stakeholders

Engaging with our customers

- › Continued help, advice and support made available to our business customers including website support hub, new products, email communications and customer portal
- › Digital marketing campaigns to drive brand awareness among disengaged SMEs and to engage with our customers on our range of complementary products and services
- › Customer surveys to gather feedback on satisfaction levels and customer needs to shape future product and service offering outcomes
- › Customer insights gained through market research to better inform our support and customer experience
- › Website landing pages, FAQ pages and regular communications to support new customers during their transition to Yü Group
- › New automated marketing journeys delivered to improve renewal communication and awareness of our full range of products and services
- › Regular campaigns to drive awareness and uptake of smart meters
- › Development of our Customer Portal to allow our customer base to benefit further from the "Yü Utility Simplicity" approach
- › Increased range of automated marketing techniques to further support customers on energy efficiency and cost saving initiatives
- › New, targeted campaigns, addressing the needs and challenges of specific industries for more personalised content
- › Support of customers, including providing and sign-posting support, regarding increased levels of bills





Engaging with our people

- › Monthly “Yü-MAD” meetings to celebrate achievements and keep employees informed
- › Annual business-wide event to celebrate individual achievements including employee/team of the year recognition
- › Employee Knowledge Base to enhance knowledge capture and upskill teams
- › Quarterly employee engagement and “you talk, we listen” feedback
- › Twice weekly team leader check-ins
- › Employee feedback sessions, including monthly one-to-one meetings, bi-annual development reviews and team briefing outcomes
- › Company-wide intranet to improve internal communication and employee engagement
- › Implemented career pathways to support talent development in response to engagement survey feedback with numerous internal promotions in 2022
- › Extensive benefits package to support our employees, including Group life scheme and health and wellbeing app
- › Regular business-wide briefings from senior managers to increase engagement with, and accessibility to, the senior team



Engaging with our communities

- › Supporting career development in local communities by engaging with local educational institutions to offer student placements and apprenticeships
- › Raised over £2,600 during the year for our chosen charity, Alzheimer’s Research UK, the UK’s leading dementia research charity, dedicated to causes, diagnosis, prevention, treatment and cure of Alzheimer’s
- › 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 energy plan – offering 100% renewable electricity – plus our Carbon Neutral gas plan



Engaging with our regulators

- › As a responsible supplier, we engage with OFGEM (and OFWAT) as regulators of the industry, and Government and appropriate departments (including BEIS)
- › Implementation of various Government backed schemes to support customer bills, including the Energy Bill Relief Scheme
- › Responsive approach to OFGEM’s various requests for information
- › Strong governance ensuring compliance with AIM and other market listing corporate compliance

SECTION 172

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. 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 60, provide further information on how the directors ensure appropriate consideration for such decisions. The Board’s principal considerations and decisions in FY22 are documented on page 62.

OUR PEOPLE

OUR PEOPLE FORM STRONG FOUNDATIONS FOR OUR SUCCESS

We pride ourselves on providing a culture that recognises and rewards the hard work our employees put in to driving the success of the business.

We constantly strive to provide a dynamic, engaging and inclusive work culture where ambition thrives and our people aspire to achieve real change for our customers, the energy industry and the communities in which we operate.

We want to make sure we have the right people in place to advance our growth, whilst nurturing and enhancing their expertise and personal development. We have continued with our rigorous approach to performance leadership, training and development, supporting colleagues and helping them to unlock their full potential. Our internal talent programme provides leadership development, coaching, mentoring and technical training, helping to create and shape our leaders of the future.

Evolving our culture

With teams being spread across multiple office locations, as well as working remotely, we have continued to encourage greater collaboration across the business. Our recent award nomination for Team of the Year at the Utility Week Awards pays testament to these efforts and to the work our colleagues are doing not only with other teams in the business, but with our external partners.

Supporting our people in the return back to the office following the coronavirus pandemic has remained a key priority, and we have embedded new working practices introduced in 2020, embracing technology and flexible practices such as remote working, to ensure we deliver for our customers and each other.

Monthly, company-wide “Yü-MAD” meetings, held simultaneously for colleagues in Leicester and Nottingham, have helped to foster a one-team approach, welcome new colleagues, and recognise outstanding work. Internal communications through our intranet provide a knowledge library and central hub for news and updates for all our employees.

We are proud to be an equal opportunities employer, and our recent Disability

Confident Employer accreditation reflects this. As a Disability Confident Employer we:

- have undertaken and successfully completed the Disability Confident self assessment;
- are taking all of the core actions to be a Disability Confident employer;
- are offering at least one activity to get the right people for our business; and
- at least one activity to keep and develop our people.

Colleague engagement

We conduct regular employee engagement surveys to gather insights and feedback from our employees. The results of these surveys are critical to business growth as they bring new and innovative ideas into Yü Group.

During 2022 our employee engagement score continued to rise, reaching 80% – a 6.1% increase on 2021. The vast majority of employees told us they were proud to be a member of their team (94%), they have sufficient tools to do their job (78%), and they receive regular, constructive feedback from their line manager (88%).

Regular focus groups, with employee representatives from each department, provide an opportunity to gather feedback from teams on matters such as training, career pathways, communication and benefits.

Supporting job creation and career development

As part of our people strategy, we have continued to partner with local universities in Nottingham and Leicester to offer placements to students, allowing us to develop a future talent pipeline for the business.

Our team includes apprentices, placement students and recent graduates, and our approach underlines our commitment to developing our people and building rewarding careers.

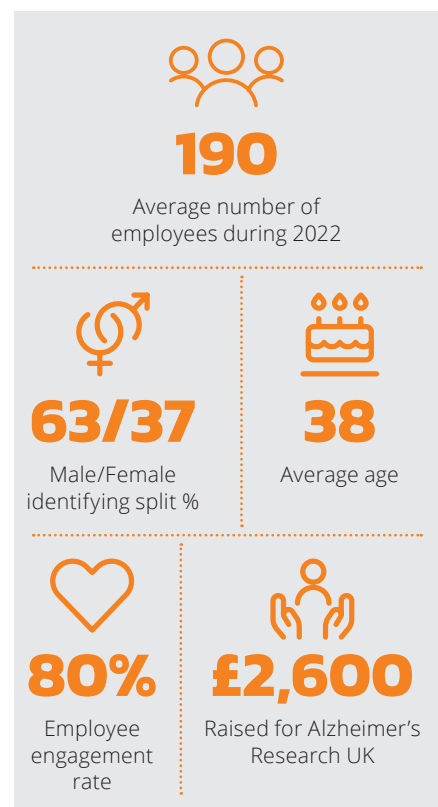
During 2022 we recruited two apprentices and were able to offer numerous internal promotions as part of our talent pipeline.

We offered year-long placements to students in marketing, HR and commercial for the fourth year running.

We plan to further enhance our university collaboration as we continue to grow our innovation centre in Leicester.

Fairly rewarding our people

As part of our ongoing commitment to offering our people fair reward for the work they do, all our employees are paid above the Living Wage and are offered a comprehensive package of benefits and support. We introduced multiple new benefits for 2022, including our Group Life Scheme and Health and Wellbeing app. Our rigorous approach to performance leadership delivers fairness, affordability and consistency in our people management and reward.



Health and Safety Statement

Yü Group has always prioritised health and safety in all areas of its operations and this continues with the introduction of Yü Smart and the operations undertaken by its field operatives.

Field work can pose an increased risk of injury or illness and it is the responsibility of the business to ensure that appropriate measures are in place to protect the health and safety of its employees and the general public.

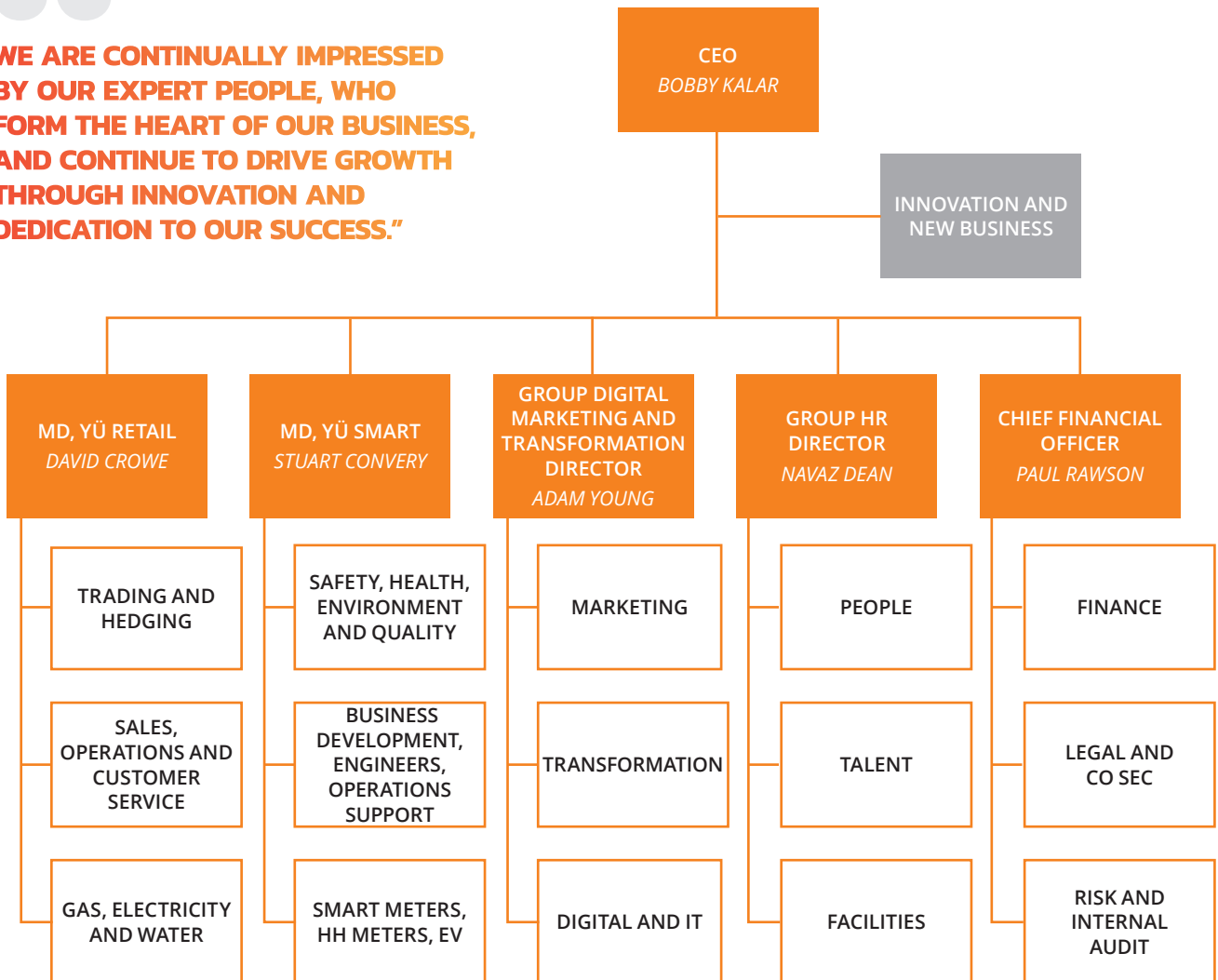
The focus is holistic, considering all aspects of work undertaken and the risks and hazards presented, as well as the locations at which the work is performed. This includes:

- conducting risk assessments to identify and assess the potential hazards and risks associated with field-based activities to determine the necessary precautions and controls required to protect people and property;
- a health and safety plan which outlines the steps to be taken to ensure exemplary health and safety; including procedures for reporting and addressing incidents and accidents, as well as training and communication protocols;
- ensuring employees have access to appropriate personal protective equipment and that they are trained on how to use it properly;
- keeping employees informed about the health and safety risks associated with operations and what measures are being taken to protect them, through training sessions, meetings and written communications; and
- regular monitoring and review of the effectiveness of health and safety measures and introducing any necessary changes: learning lessons, improving communication, training, methods, processes and procedures.

Structured for success



WE ARE CONTINUALLY IMPRESSED BY OUR EXPERT PEOPLE, WHO FORM THE HEART OF OUR BUSINESS, AND CONTINUE TO DRIVE GROWTH THROUGH INNOVATION AND DEDICATION TO OUR SUCCESS."



CUSTOMER CASE STUDIES



POWERING OUR PUBS

The Griffin Inn, Swithland

The second pub by England and Nottinghamshire cricketers, Stuart Broad and Harry Gurney, The Griffin Inn at Swithland is the quintessential countryside gastro pub. With a delicious menu cooked by expert chefs, and an atmospherically lit, cosy dining area, The Griffin Inn needed a supplier who offered an affordable and reliable energy solution. We spoke to Harry Gurney, to discuss his experience with Yü Energy.

"We are the Cat & Wickets Pub Company Ltd. The directors are Harry Gurney, Stuart Broad and Lee Cash. Lee founded and built Peach Pubs, an operator with 21 pubs which sold recently to Revolution Bars. Stuart and Harry are current and former England cricketers who founded the company in 2016 and are on a mission to create five thriving premium gastro pubs in the East Midlands by the end of 2026."

As with any new venture, creating a flourishing gastro pub in a popular countryside location takes a lot of time and hard work, and costs can quickly add up. One of the key challenges is getting the basics organised, securing the best contracts at the right prices.

"We had just signed for the Griffin Inn and had no contracts in place. The brokers we were working with were providing expensive quotes. We were looking for a great supply at affordable prices."

At Yü Energy, we pride ourselves on providing competitive pricing, a simple contract process, and excellent customer support. These values placed us above the competition when it came to the Cat & Wickets Pub Company choosing the right supplier for The Griffin Inn.

"The price was a major factor but also the helpful, personable approach of the team. Everything was quite straightforward and easy."

The Griffin Inn decided to take out a two-year fixed contract, securing their rates over what could be a tumultuous time for energy pricing. The quick and easy contract process meant they could spend more time focusing on creating the perfect pub experience, and less time worrying about their utilities. With the re-opening of their flagship site, the Tap & Run, and other potential pubs in the pipeline, Cat & Wickets Pub Company are interested in exploring further options with Yü Energy.



YÜ ENERGY HAS GIVEN US CERTAINTY ON PRICE FOR A TWO-YEAR PERIOD AT WHAT WAS A VERY COMPETITIVE RATE AT THE TIME WE SIGNED THE CONTRACT. WE'RE LOOKING FORWARD TO SEEING HOW WE CAN DEVELOP THE RELATIONSHIP AS WE REOPEN OUR FLAGSHIP SITE, THE TAP & RUN, IN THE COMING WEEKS."



CUSTOMER TESTIMONIALS



Phone was answered very quickly – please keep it up! Person on the phone understood our position and obviously knew how to deal with it. It was a very good interaction. Looking forward to having our electricity from you and the service you provide."



Once again, the direct quote from Yü Energy was the best I could find for gas prices. Given the eye-watering jump in prices, I tried two different brokers and both could not find a better deal. For the fourth year in a row Bobbie A. was the adviser who helped me. She is professional, helpful and honest. Thanks to Bobbie, the process was done in about five minutes of agreeing terms. Good service."



I have dealt with many energy companies over the years – but for the first time ever, my call was answered immediately and dealt with in a professional manner with the application process supported by emails and phone calls at every stage. Why can't all energy companies be like this? A special mention for our account manager Dean Harrison, for all his help and support."

SUSTAINABILITY

SUSTAINABILITY: OUR COMMITMENT TO PEOPLE AND PLANET

Helping to deliver a low carbon future whilst positively impacting our people and communities.

Strengthening our commitment to a sustainable future

At Yü Group, we understand the vital role energy providers need to play in creating a more sustainable future for our planet, and future generations. The relationships we build with our employees, communities, customers and partners are essential to us delivering our ambitions, and as more of our customers set ambitious environmental targets, we are ensuring that we can consistently meet their needs for low carbon solutions, through our developing range of green products.

2022 saw the successful launch of our new metering services division, Yü Smart, and expansion in our electric vehicle (“EV”) charging division, Yü Charge, both of which will help accelerate progress towards a low carbon future.

We are building our smart EV chargepoint installation capability and have begun the rollout, allowing drivers to charge while at work or out and about in their free time, as more and more people switch to EVs, following the ban on sales of new petrol and diesel cars from 2030.

Our Yü Smart meters are revolutionising the way customers manage their energy consumption, with real-time data

showing where they can save money, and reduce usage, providing them with the tools they require to achieve their decarbonisation targets.

We have come a long way in the last year, and in 2023 we will continue to expand and improve our sustainable product offering, building on the three pillars of our sustainability strategy: product, planet and people.

Committed to managing our business responsibly

Our people are our most important asset, and we work hard to provide rewarding opportunities for them, while always protecting their human rights. We foster a culture of continuous improvement and responsibility for the communities in which we operate.

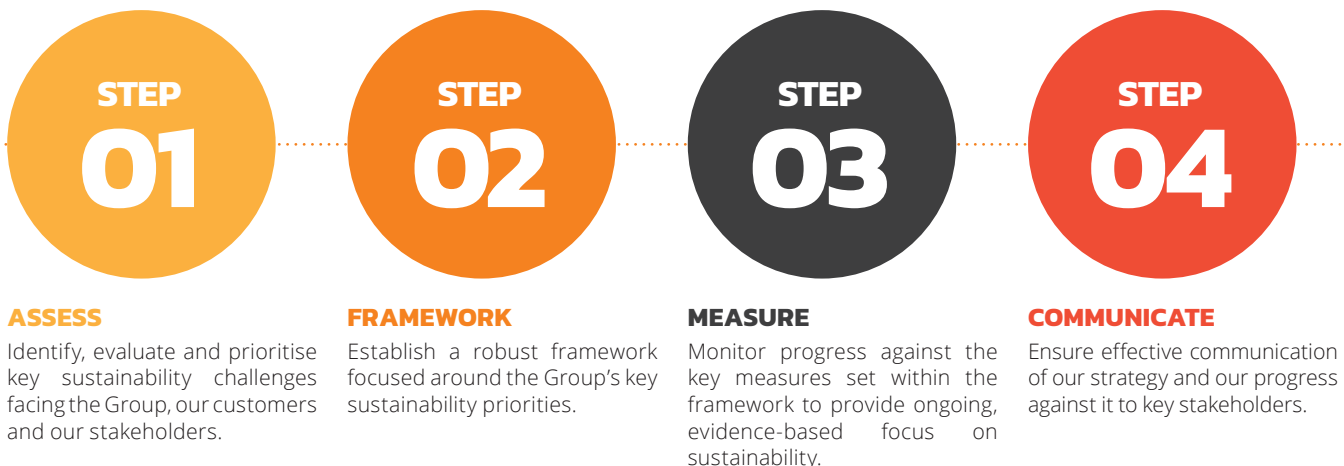
We continually review how we operate, to ensure that we understand the environmental and social issues that are most important for each of our stakeholders, from our customers to our shareholders.

BOBBY KALAR
Chief Executive Officer
14 March 2023




Our approach

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



To help focus our ambitions, we have further evolved our sustainability strategy, focusing on three areas:




Product

SUSTAINABLE ENERGY SOLUTIONS

Our ambition

To support businesses on their journey to net zero, offering a range of green energy solutions that are simple to switch to, alongside complementary products such as EV Charger Installation and Data Analytics to further reduce carbon footprints.




Planet

SOCIAL AND ENVIRONMENTAL IMPROVEMENT

Our ambition

To reduce our carbon footprint and overall impact on the environment by operating responsibly, and to have a positive effect on society, supporting charity initiatives and the communities in which we operate.



People

POSITIVE PEOPLE CULTURE

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.

Protecting the planet with sustainable solutions

We are supporting the Glasgow Climate Pact and the UK government's aim to reach net zero by 2050, with a range of sustainable solutions to support businesses in their move to renewable energy, including:

- SMETS2 smart meters;
- 100% green electricity via our Pure Green energy plan;
- our Carbon Neutral gas plan, launched in 2021;
- electric vehicle chargers; and
- energy efficiency reporting.

Since its launch in 2020, our Pure Green energy plan has gone from strength to strength, generating more than £22,000,000 in annual revenue in 2022.

In 2021, we launched our Carbon Neutral gas plan, helping businesses to take positive steps towards reducing their carbon footprint by offsetting carbon emissions from their gas supply. These emissions are offset and invested in two of the most credible international schemes worldwide – Gold Standard ("GS") or Verified Carbon Standard ("VCS").

Through our EV Chargepoint Installation Service, we are supporting both business and domestic customers to move from

petrol and diesel vehicles, to cleaner, more sustainable, electric vehicles. We are able to install multiple charge points at workplaces, to encourage employees to move to EV, and install chargers at residences, helping create convenient chargepoints at home.

Our Green Electricity is backed by the REGO scheme ("The Renewable Energy Guarantees of Origin" scheme), which provides transparency to consumers about the proportion of electricity that suppliers source from renewable generation.

Our Carbon Neutral Gas plans mean customers' gas consumption will be offset and invested in the most credible international schemes.

Customers on green tariffs are backed by REGOs and carbon offset

* Numbers are approximate.

81,750,169 kWh
of Pure Green electricity supplied to customers on our 100% Green Electricity plan

52,913,910 kWh
of green gas supplied to customers on Carbon Neutral Gas plan

MANAGING RISK AND IDENTIFYING OPPORTUNITIES

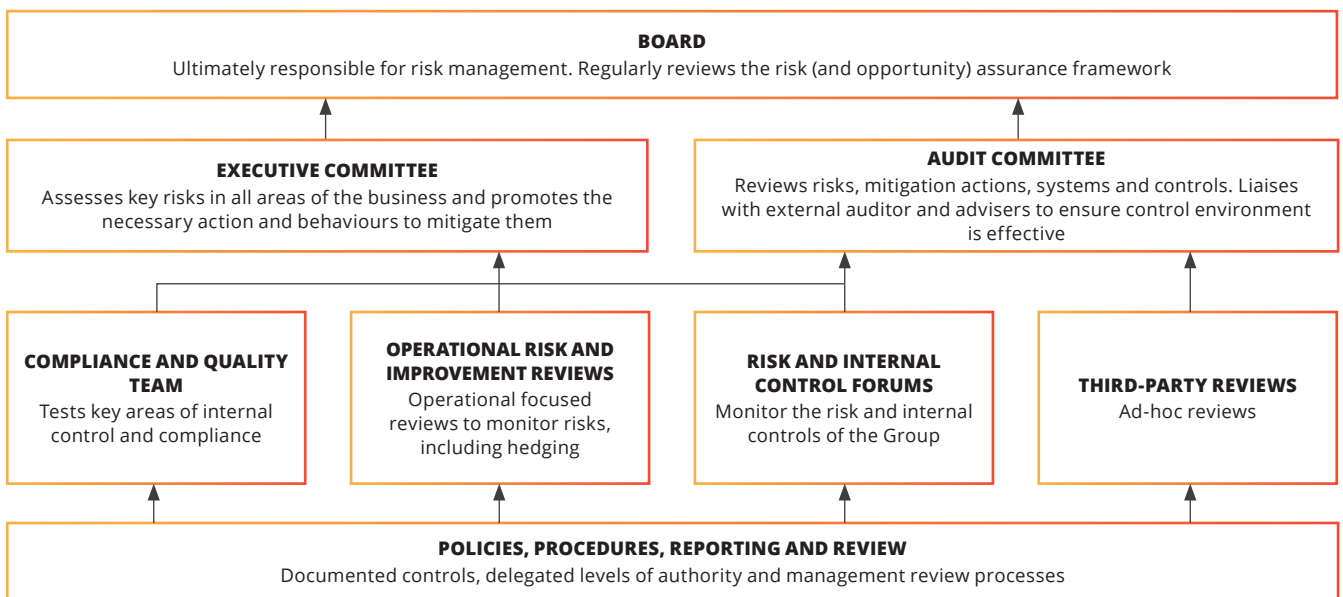
Assessing our position to protect and advance the Group.

APPROACH TO RISK

The Board is responsible for maintaining the Group's risk management and internal control systems and for the monitoring and mitigation of risk (and opportunity) in line with the Group's objectives. The Audit Committee also reviews risks on behalf of the Board and provides further oversight and risk mitigation when working 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 Group Risk Manager and reviewed regularly by the Board and Audit Committee. The risks are identified and discussed by executive team members and operational managers, or in risk reviews held by Board members;
- an organisational structure with clear segregation of duties and control and documented, Board approved delegated levels of authority;
- strong policies and procedures in place underpinning good governance and a solid internal control framework;
- some internal audit assurance is provided by independent ad-hoc third-party reviews, where appropriate, and also via internal compliance and quality function roles;
- a regular risk and internal control forum takes place, chaired by the Group Risk Manager with the Chairman of the Audit Committee, Chief Executive Officer and Chief Financial Officer in attendance. This gives clear visibility and accountability for risk management; and
- formal hedging policies and a risk mandate that govern the Group's approach to the forward purchase of commodity contracts.



PRINCIPAL RISKS AND UNCERTAINTIES

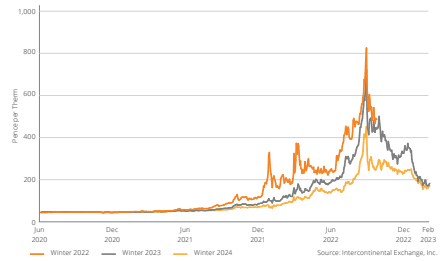
CURRENT MARKET CONTEXT

Global commodity markets have been impacted by a variety of events over recent periods; from the Covid-19 pandemic and subsequent recovery of global demand for energy, to the Russian invasion of Ukraine and the resulting sanctions.

This volatility in commodity prices has been managed well, with clear mitigating action being taken. These have included suspending new sales acquisition on occasion, to reflect illiquid markets and inability to price contracts with certainty. The Group also performs additional credit checking, and may require additional credit support from customers, to reduce exposure to credit loss.

Government, through the Department for Business, Energy & Industrial Strategy (“BEIS”), has provided support in various forms to try to reduce the impact on domestic and business energy bills. Particularly relevant for the Group is the Energy Bill Relief Scheme, which enables the Group to collect a certain level of customer bills directly from BEIS.

Risks and uncertainties noted on the following pages consider this market context, which is being managed to date. The Board will remain vigilant and will continue to diligently assess the various risks and appropriate approach to adopt as the situation changes.



▶ See the full version of the chart above on [page 21](#)

OUR APPROACH TO HEDGING

Forward hedging contracted commodities de-risks commodity market volatility and our approach is to fully hedge our contracted position. This ensures that we can continue to supply with confidence regardless of how the market behaves.



Market Reflective Prices

- ▶ Regular price book refreshes to reflect forward commodity market prices
- ▶ Inclusion of premia for appropriate risks in trading and balancing

- ▶ Constant updates to forecasted customer demand
- ▶ Consider new business, industry information and portfolio trends, weather and out of contract business

Customer Demand Forecasting





Purchasing Forward Energy

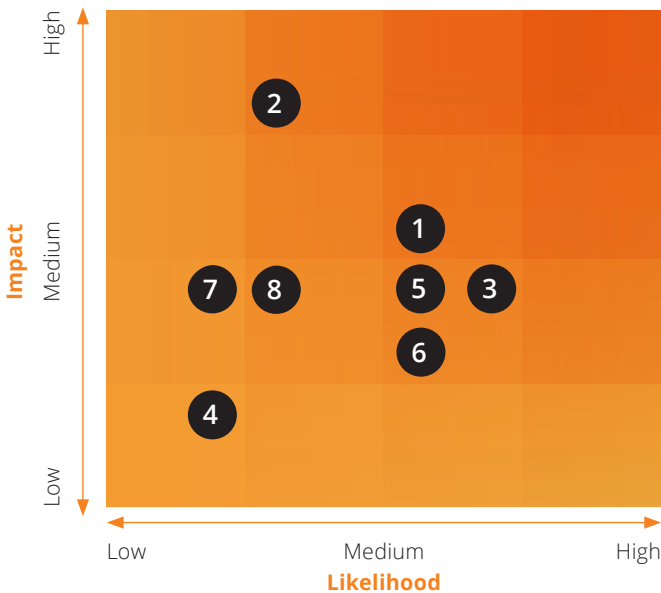
- ▶ Trading of various products (half hourly, daily, monthly and seasonal)
- ▶ Align trading position with customer demand to hedge risks
- ▶ Trade only for “own use” (not speculatively)

- ▶ Board approved risk mandate (e.g. volume and financial risk limits)
- ▶ Appropriate customer terms and conditions
- ▶ Sensitivities and risk modelling
- ▶ Liquidity and credit analysis

Risk Management



DELIVERING OUR STRATEGY IN A CHANGING MARKET



- 1 Commodity hedging and price volatility
- 2 Trading agreement breach or removal
- 3 Political and regulatory intervention
- 4 Revenue recognition
- 5 Customer credit and delayed receivables
- 6 Smart meter activity
- 7 Disrupting the market
- 8 Relationship with regulatory bodies

Key for strategy:

- 1 Bigger 2 Better
- 3 Faster 4 Stronger

1. COMMODITY HEDGING AND PRICE VOLATILITY Strategy **1 2 4** **— No change**

Description

The energy commodity market has remained volatile during 2022, with significant increases, then decreases, in global market prices and large intra-day and week-to-week changes.

There is a risk that, without operating a robust hedging policy, the Group would be significantly exposed to commodity market prices. In addition, without suitable pricing mechanisms, there is a risk that fixed term and fixed price tariffs are agreed with customers which are below the cost price of energy.

Price volatility can also provide further (when assessed at financial value) risk or opportunity in balancing of final customer demand with the traded position. In simple terms, the cost of imbalance (being long or short of energy for each delivery period) for the same units (MWh) of energy will result in a higher gain or loss in financial terms where market prices are increased.

Mitigation

The Group continues to hedge demand (based on its detailed analysis of forward consumption information) to mitigate the impact from market volatility. Customer demand is spread over multiple customers operating in a variety of sectors allowing a good diversity of risk across the portfolio.

The SmartestEnergy trading arrangement is 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 introduced a new pricing and onboarding system in 2022 to enable real time pricing of contracts, and a more efficient onboarding and hedging process. Where market prices increase, or there is significant risk in setting customer prices, the Group reduces sales activity or includes additional premia to cover risk.

The Group continues to monitor its forward hedging commitment under a detailed risk mandate to mitigate its risks to volatile commodity markets. This also includes requirements for contingency planning through senior managers and Board members in certain market scenarios.

PRINCIPAL RISKS AND UNCERTAINTIES continued

2. TRADING AGREEMENT BREACH OR REMOVAL

Strategy

2 4



Decrease

Description

The trading agreement with SmartestEnergy Ltd ("SEL") enables efficient access to commodity markets to implement the Group's hedging strategy. The agreement contains a mechanism to provide a scalable credit limit which reduces the risk of cash margin calls as the Group scales.

The Group has provided certain security (fixed and floating charge) and commitments to SEL and is required to adhere to and report on several covenants. A material breach in the agreement could have serious implications on the Group's ability to continue to trade if corrective action is not taken, including ultimately the enactment of security by SEL on the main trading assets of the Group.

At expiry of the agreement, there may be a risk that similar trading agreements and credit limits are not available to the Group either through SEL or other trading counterparties.

The risk of the need to post cash collateral above the credit limit provided under the agreement, and potentially above the Group's available cash level, increases where commodity markets decline significantly below the average price of the Group's forward traded position.

The agreement also results in significant counterparty credit risk to SEL where commodity markets increase. In such a case, an event of default by SEL could result in the Group losing the benefit of its forward trades, resulting in a reduced forward gross margin position on the Group's activities.

Mitigation

The Group has various processes (including Board reviews of the position, detailed cash forecasting and scenario modelling for commodity price movements) to review potential credit exposures (to and from SEL) and to monitor performance against covenants and the surplus or potential exceeding of credit limits. The Group's underlying financial performance has also significantly improved over recent years, leading to a stronger balance sheet.

Contractual mechanisms protect, to the extent available, certain counterparty credit risks, and these risks have reduced based on the lower commodity market prices at the end of 2022.

The trading agreement covered a five-year period, expiring December 2024, leading to a significant period remaining. The Board monitor the agreement, and will look to consider other arrangements in due course, to ensure it has access to appropriate trading agreements to meet its hedging policy.

In respect of potential cash calls above the level of the Group's available cash, the Board has identified some short and medium-term cash mitigation action drivers which could be implemented to mitigate, to the extent possible, a level of the short-term cash margin calls.

► Read more about risk management in [note 20](#) to the financial statements, from [page 97](#)

3. POLITICAL AND REGULATORY INTERVENTION

Strategy

1 2 4



New

Description

The energy supply industry is under scrutiny due to high and volatile energy prices affecting the cost of living and industry's ability to cover costs. Failures of energy suppliers, especially in the domestic sector, have resulted in significant costs for bill payers.

The Group has welcomed government and OFGEM's engagement to navigate a complex market, and to support customers through relief schemes, including BEIS's Energy Bill Relief Scheme ("EBRS") introduced for businesses from 1 October 2022 until 31 March 2023. The evolution of such schemes, including replacement of EBRS with the new Energy Bill Discount Scheme ("EBDS") from 1 April 2023, currently suggests a more limited support package for businesses. This creates some uncertainty on any cost increases which are to be borne directly by our customers, which ultimately depends on any further political and regulatory intervention if commodity market prices were to significantly increase from current levels.

There is also a risk of further regulatory intervention to the business sector which may create new uncertainties for the Group's development.

Mitigation

The Group has successfully implemented various support schemes during the year and complies with OFGEM's regulatory requirements.

Management constantly reviews the customer base to ensure risks of withdrawal of support schemes, such as EBRS, are considered.

Systems and processes, such as supporting customers with any debt management issues, are designed to ensure customers are well treated and regulatory guidelines are met at a minimum.

4. REVENUE RECOGNITION

Strategy

1 2



No change

Description

Due to the inherent nature of the utilities industry and its reliance upon estimated meter readings, revenue includes a best estimate of energy consumption for certain customers who do not have automatic or smart meters. 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 several variables, there is a limited risk that the level of accrued income or revenue 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 between members of finance and operational staff ensure that revenue recognition positions are considered. This gives comfort that the Group's revenue recognition policy is appropriate, and that accrued income is at a manageable level.

The level of accrued income held at 31 December 2022 has been reviewed against actual bills raised post the balance sheet date, to assist in ensuring accrued income is at an appropriate level.

The Group continues to focus on its meter reading performance with increased levels of smart metering targeted to further improve accuracy.

5. CUSTOMER CREDIT AND DELAYED RECEIVABLES

Strategy 1 2

— No change

Description

The Group is increasing its revenue significantly and there is a risk that this growth, and the wider economic context, can lead to significant increases to levels of bad debt, or materially delayed payment, in the Group's customer collections cycle.

There is also a risk that new customers, including those acquired as part of business combinations or SoLR, may have a more delayed payment history, or that the Group provides extended payment terms to customers to secure new business.

This can lead to an increase of the working capital required by the Group, and/or lead to financial loss where trade receivables are not recoverable from customers.

Mitigation

The Group has applied the EBRS discount, supporting customers through extreme market conditions from mid 2022. From 1 April 2023, the EBDS will provide a lower level of support, though recognises commodity markets are forecasted to be lower.

Management mitigate risk with robust credit checks prior to and during contract terms, required upfront security deposits where necessary, enhancement of certain terms and conditions and application of appropriate costs to ensure prompt payment of receivables.

Technical innovation is part of the Group's Digital by Default strategy to enhance processes over the short to medium term. This includes the use of smart meters (including prepayment mode) which provide significant benefits to customers through detailed knowledge and budgeting of their usage and access to better value tariffs. Ultimately the Group may require the raising of debt or equity funding in the event of prolonged increases in customer receivable amounts due.

6. SMART METER ACTIVITY

Strategy 1 2 3

— New

Description

The Group's strategy is to deploy smart meters at scale to support small and medium-sized businesses with appropriate products, and to improve efficiency and cost benefits for the Group. The Group acquired smart metering installation capability, Yü Smart, in 2022 and has established a national coverage of engineers. Management has set ambitious targets to deliver material smart meter installations in 2023.

There is a risk that meter installation targets are not met, resulting in unproductive labour and lack of additional benefits expected from the deployment.

Mitigation

The acquisition of the management team and certain other assets from Magnum Utilities Ltd has provided a strong foundation on which to develop the smart metering activities in the Group.

The Board has also implemented a business unit structure to enable focus, whilst providing governance and common objectives on appropriate management teams to deliver the Group's objectives.

▶ See page 16 for our smart metering section

7. DISRUPTING THE MARKET

Strategy 1 3

— No change

Description

As the Group continues its evolution as a disruptor in the B2B energy space, there is increased need for digitalisation and change. The Board firmly believes that business customers need access to 24/7 efficient digital tools with easy access to their account, from sign-up to renewal. There is a risk that the Group's disruptor position is threatened if competitors develop new technology which rival the Group's.

The Group's Digital by Default strategy has committed capital expenditure and resources to deliver key strategic aims: improved customer offering, cost efficiencies and data insight. With this strategic intent, there is a risk that time, effort and money is wasted and the programme does not deliver the expected benefits.

Mitigation

The Group has recruited key talent over the last two years, including various executive management, senior leadership, IT development, change management and data science personnel. Leading partners are also appointed to assist in business implementation, ensuring continued forward momentum on the Group's digitalisation programme.

Change management is embraced, so as to find new opportunities to deliver the Group's ambitions. There are also clear project deliverables and milestones for the Group to deploy new technology to unlock business benefits, with progress monitored by ExCo and the Board.

8. RELATIONSHIP WITH REGULATORY BODIES

Strategy 4

— No change

Description

The Group is a licensed gas, electricity and water supplier, and Meter Operator, and therefore has a direct relationship with 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 or certifying bodies and comply with its licence or obligations, it could be subject to fines or the removal of its respective licences. The Group also has made commitments to other energy market participants to ensure appropriate processes as required to operate an efficient market.

As a publicly listed 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").

There is a risk of non-compliance, fines or a restriction on the ability to operate where regulatory relationships and compliance are materially breached.

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 function, focused 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 and will actively seek clarification and an open dialogue channel if there is any requirement to do so.

A middle-aged man with grey hair and glasses, wearing a light blue button-down shirt, is sitting in an office. He has his arms crossed and is smiling warmly at the camera. The background is a blurred office environment with a desk and a chair.

CORPORATE GOVERNANCE

RESPONSIBILITIES
and processes

CORPORATE GOVERNANCE

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Board of directors

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Directors' report

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Statement of Directors' responsibilities

BOARD OF DIRECTORS

AN EXPERIENCED BOARD

Matching skills and experience to strategic needs.



ROBIN PAYNTER BRYANT
Independent
non-executive Chairman



BOBBY KALAR
Chief Executive Officer



PAUL RAWSON
Chief Financial Officer



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.

Skills and experience

Bobby has a degree in electrical and electronics engineering, and started his career working as 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 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.

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 several 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

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

External appointments

Bobby is also a director of CPK Investments Limited.

External appointments

None.



JOHN GLASGOW
Independent
non-executive director



Skills and experience

John has over 40 years' experience in engineering, operations, commodity 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 for 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



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 (a top 5 accounting firm) 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

Tony is also a director of DJ. Squire and Company Limited.

COMMITTEE KEY

- A** Audit Committee
- R** Remuneration Committee
- C** Committee Chairman

BOARD SKILLS

- Strategy
- General management
- High growth
- Mergers and acquisitions
- Business consulting
- Digital change
- Accounting
- Financing and capital markets
- Commodity trading
- Regulatory
- Health and safety
- Risk management

Find out more about our Board of directors



CORPORATE GOVERNANCE REPORT

EFFECTIVE OVERSIGHT

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 Governance 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 is Robin Paynter Bryant and the Chief Executive Officer continues to be Bobby Kalar, the Group's founder.

All three of the non-executive Board members, being Robin Paynter Bryant, Tony Perkins and John Glasgow, were considered to be independent throughout 2022. They provide appropriate time commitment including at Board and sub-committee meetings, and for ad-hoc reviews as required.

The two executive directors are Bobby Kalar, Chief Executive Officer, and Paul Rawson, Chief Financial Officer. Bobby Kalar is also

Chairman of the Executive Committee ("ExCo"), comprising experienced senior individuals who drive the day to day implementation of the Board-approved strategy. Paul Rawson also serves as Company Secretary.

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.

Board and sub-committee effectiveness is considered regularly and the actions from previous reviews have been completed.

The Group annually undertakes a formal review of the Board and its Committees, through a questionnaire and scoring system covering various topics. The most recent review, conducted in December 2022 to January 2023, highlighted a similar level of high overall effectiveness to that of the prior year. Topics considered as part of the review, inter alia, included: consideration of the profile of the Board (diversity, competency and knowledge, Board dynamics etc.), efficiency and topics of meetings, effectiveness in monitoring strategy and performance, and our approach to risk and opportunity management. A key emphasis of focus for the Board for 2023 relates to the management

Board composition



- Independent non-executive Chairman
- Independent non-executive directors
- Executive directors

Tenure



- More than five years
- Between three and five years

Sector experience



- Previous energy sector experience
- Partial energy and other sector experience

of growth by the Group ensuring ever-closer engagement, with appropriate mentoring and challenge, between senior leaders across the business, including through the detailed review of key strategic objectives via additional “thematic” and “work-shop” style Board meetings.

The directors can and may obtain independent professional advice at the Group’s expense where required, and keep their skills up to date through professional development and other training as required.

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 2022 the Audit Committee comprised three members, all of whom are independent non-executive directors. Tony Perkins, senior independent director, is the Chairman of the Audit Committee. The other members are John Glasgow and Robin Paynter Bryant.

The Group’s external auditor, along with the wider Board where appropriate, may attend Audit Committee meetings as requested by the Committee Chairman.

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

The Committee meets periodically as required and is responsible for overseeing policy regarding executive remuneration. The Board as a whole is responsible for approving the remuneration packages for the Group’s senior Executive Management Team and for the remuneration of all directors. The Remuneration Committee is also responsible for reviewing incentive schemes and for providing guidance on the packages of new appointments to the Executive Management Team. The Committee seeks external professional advice and benchmarking where appropriate.

Nominations Committee

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.

In 2022, to recognise the engineering activities now being performed by the Group, a Safety, Health, Environmental and Quality (“SHEQ”) Group Strategy Committee was established to ensure appropriate strategic review and Board oversight. This Committee is in addition to monthly operational SHEQ reviews. It is Chaired by the managing director of Yü Smart and includes John Glasgow, Bobby Kalar and Paul Rawson plus other senior leaders in the Group.



WE ARE, AND WILL REMAIN, ROBUST IN OUR APPROACH TO GOVERNANCE AS WE SCALE THE BUSINESS TO MEET OUR AMBITIOUS TARGETS.”

Find out more about our Corporate Governance



CORPORATE GOVERNANCE REPORT continued

Board considerations in the year

As standing agenda items, the Board considers updates from the Audit Committee and Remuneration Committee in respect of their specific scope. The Board also reviews other information presented by the executive directors, including safety reports, monthly financial information, the M&A pipeline, progress on strategic KPIs and updates on matters raised by the Board, the Executive Management Team and investor and stakeholder engagement.

Key matters	Key matters
2022	
<p>Q1</p> <ul style="list-style-type: none"> › Review of Board effectiveness and 2022 objectives › Forward business planning and risk analysis, including budget and appropriate targets › Further review of market context and the risks and opportunities available › Consideration of management short-term incentives for 2022 › Accounting and other considerations for the preparation of the 2021 annual report › Consideration of the annual audit findings via the Audit Committee › Approval of the 2021 annual report 	<p>Q2</p> <ul style="list-style-type: none"> › Annual general meeting › Consideration and approval to acquire certain assets from Magnum Utilities Ltd › Review and comment of proposed operating model for newly created Yü Smart business › Board strategy session › Review of risk and opportunities › LTIP award for an Executive Management Team member, and exercise of certain share options › Consideration of potential Nominated Advisers and Company brokers. Selection of Liberum
<p>Q3</p> <ul style="list-style-type: none"> › Review and approval of a trading update › Consideration of the creation of two business units (Yü Retail and Yü Smart) › Operational readiness review of Yü Smart › Establishment of the Safety, Health, Environmental & Quality Committee › Exercise of SAYE options › Review of various energy relief schemes, including the BEIS Energy Bill Relief Scheme › Early consideration of potential to establish a dividend › Review of Group's financing and hedging arrangements › Approval of half year reporting 	<p>Q4</p> <ul style="list-style-type: none"> › Review and approval of a trading update › Risk and control matters review, and external audit planning › Review and approval of the 2023 budget and business plan › Annual review of corporate policies and terms of reference for sub-committees › Approval of SAYE scheme for all employees, the issue of new LTIP options and the exercise of previous options › Consideration of Board remuneration following external benchmarking › Review of the commodity hedging position, and approval of hedging risk mandate › Review of people strategy, including talent, succession planning and employee engagement
2023	
<p>Q1</p> <ul style="list-style-type: none"> › Review of Board effectiveness › Assessment of operational progress and digital roadmap › Consideration of management short-term incentive for 2023 › Consideration and recommendation of a final dividend, and establishment of a progressive dividend policy › Consideration of the annual audit findings via the Audit Committee › Approval of the 2022 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 gains assurance on risk and controls being effective through making appropriate enquiries and instigating reviews via ExCo and other key internal and external stakeholders.

The Audit Committee also reports to and considers the risk assurance framework of the Group on behalf of the Board as referred to on page 64.

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 these forecasts are reported to the Board in addition to the reporting of the actual monthly 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.

Shareholder communications and value

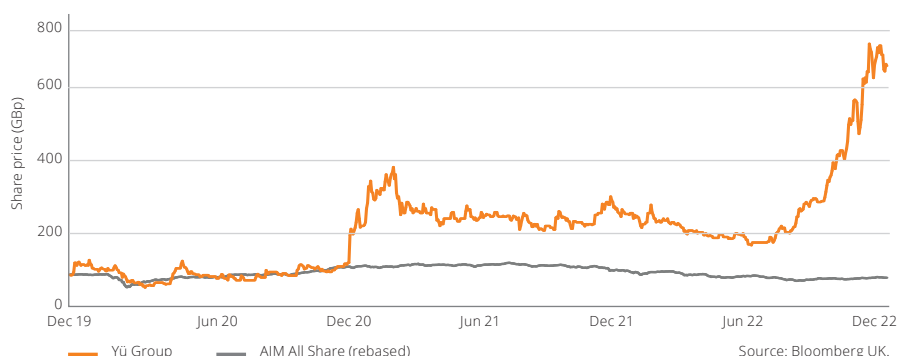
The Chief Executive Officer and the Chief Financial Officer regularly meet with existing shareholders and potential investors to foster a mutual understanding of objectives. Meetings with analysts and shareholders are held following the announcement of results. Feedback from these meetings and market 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 (in line with Covid-19 restrictions). 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. Investor questions and answers and recorded statements are released to supplement the annual general meeting.

The Board are pleased with the value creation for shareholders over the last three years, being 8x above the AIM index (rebased) as shown in the chart, and remain committed to driving further value over the short to medium term.

Our people and culture

A significant part of the foundations of the Group has been the continued investment in building an experienced and mature team capable of taking the Group to higher levels of scale. Such investment involves ensuring



a suitable mix of industry knowledge and experience, and appropriate cultural fit to maintain the Group's disruptive and challenger ethos.

The Board regularly reviews the people strategy in order to promote an ethical workplace, promoting our core values and standards to colleagues. The Board, ExCo, management and colleagues focus on delivering in a fast paced, personal performance and customer centricity conscious, with innovative thinking encouraged, reflects well with the Group's challenger positioning.

The Board is pleased to report that our culture, values and people engagement activities are aligned with the Group's ambitious strategy.

During 2022 average staff numbers increased from 145 to 190 people. This increase reflects the significant growth of the business and the Group's expansion into smart metering installation and related services.

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;
- safety reporting, including appropriate KPIs and reports on any incidents;
- Chief Financial Officer update, including inter-alia; commentary on the management accounts, cash flow and covenant maintenance reporting, reviews of financial forecasts and strategic key performance indicators;
- Chief Executive Officer update, including inter-alia; commentary on the ExCo performance and matters raised by the ExCo, together with feedback on ongoing strategy implementation, growth opportunities (including potential mergers or acquisitions), other key business matters; and
- updates from the Audit Committee (including risk assurance) and the Remuneration Committee.

The Group's Audit and Remuneration Committees provide further governance as noted in the following pages.

Attendance at meetings

Name	Role	Joined the Board	Attendance at meeting ¹		
			Board	Audit Committee	Remuneration Committee
Total number of meetings			Board	Audit Committee	Remuneration Committee
Robin Paynter Bryant	Independent non-executive Chairman	January 2020	13 100%	4 100%	6 100%
Bobby Kalar	Chief Executive Officer	March 2016	13 100%	n/a ²	n/a ²
Paul Rawson	Chief Financial Officer	September 2018	13 100%	n/a ²	n/a ²
John Glasgow	Independent non-executive director	March 2016	13 100%	4 100%	6 100%
Tony Perkins	Independent non-executive director	January 2020	13 100%	4 100%	6 100%

¹ A limited number of Board and sub-committee meetings have been held virtually rather than in person.

² The Audit Committee and Remuneration Committee invite the executive directors and external auditor to be present where appropriate. In such cases, the invitee has been present in all cases.

AUDIT COMMITTEE REPORT

PROVIDING CHALLENGE AND REVIEW

Effective review of risk and internal control.



ANTHONY (TONY) PERKINS

Chairman of the Audit Committee

COMMITTEE MEMBERS

- › Tony Perkins
Committee Chairman
- › John Glasgow
- › Robin Paynter Bryant

ALLOCATION OF TIME

Review of reporting of FY21, and planning for FY22

35%

Review of risk registers and reports

35%

Consideration of specific business topics

15%

Consideration of Group policies and risk mandates

10%

Consideration and development of Committee activities

5%

Membership and scope of the Audit Committee

Throughout 2022 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 where appropriate, may attend Audit Committee meetings as requested by the Committee Chairman.

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 Committee are covered in the terms of reference, and include external audit engagement and interaction, financial reporting, internal control review 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 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.

The Audit Committee Chairman also interacts with the Group's internal risk function, and other senior managers, as required.



THE AUDIT COMMITTEE HAS BEEN ACTIVELY INVOLVED IN OUR DRIVE TOWARDS AUGMENTING AND STRENGTHENING THE ACCOUNTING, RISK AND INTERNAL AUDIT FUNCTIONS TO KEEP PACE WITH OUR CLEAR STRATEGY TO SCALE.”

Review

The Audit Committee met four times during 2022 (2021: three meetings).

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

The approach to risk and uncertainties, including reviews of the Group’s risk register and appropriate actions, was a principal area of focus for 2022. This review incorporated the potential consequences of volatile energy markets, and the invasion of Ukraine by Russia. The Group’s risks and uncertainties, and the wider market context, are summarised from page 52.

The Committee performed review of the annual report and liaison with the Group’s external auditor. The Group’s external auditor provided no non-audit services during 2022.

The Committee also conducts detailed reviews of assessment prepared by management of the Group’s ability to continue as a going concern in the foreseeable future.

The Committee reports regularly to the Board on the output from reviews performed, including a recommendation of any required actions for consideration.

TONY PERKINS

Chairman of the Audit Committee

14 March 2023

KEY ACTIVITY

The Audit Committee has worked with management and external auditors to consider the continued impact of market volatility, inflation and the cost of living crisis on the Group’s performance and accurate financial reporting.

Judgements concerning our various industry costs and debt provisioning have been particularly important in view of such market factors.

REMUNERATION REPORT

LINKING PERFORMANCE TO REWARD

We ensure remuneration policy aligns with our core strategic objectives.



JOHN GLASGOW
Chairman of the Remuneration Committee

COMMITTEE MEMBERS

- > **John Glasgow**
Committee Chairman
- > **Robin Paynter Bryant**
- > **Tony Perkins**

ALLOCATION OF TIME

Benchmarking analysis and review of key management personnel remuneration

30%

Consideration of short-term award schemes

25%

Consideration of new SAYE, and key management LTIP

25%

Setting of remuneration levels for Executive Committee appointments

15%

Review of the effectiveness of the Remuneration Committee

5%

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.

The Remuneration Committee sets targets for Board executive directors 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 ranges of 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 six times in 2022 (2021: two meetings).

Remuneration policy

The objectives of the remuneration policy are to enable the Company to attract, retain and motivate its Board executive directors and senior team, while ensuring that the overall remuneration is aligned with the performance of the Group and preserves an appropriate balance of remuneration and shareholder value. The policy also considers environmental, social and governance ("ESG") positions, and how they link to the success of the Group's strategic objectives.

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.

The annual fee payable for each non-executive director from 1 January 2023, which was benchmarked in 2022, is as follows:

Robin Paynter Bryant – £58,000

Tony Perkins – £45,000

John Glasgow – £45,000

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

Directors' remuneration (audited)

The normal remuneration arrangements for executive directors consist of basic salary, employer contributions to defined contribution pensions, life insurance, annual performance related bonuses and participation in a Long Term Incentive Plan ("LTIP"). The Group also operates a salary sacrifice scheme for vehicles, although neither executive director currently participates.

In respect of the year ended 31 December 2022, bonuses were payable to the executive directors based on agreed objectives related to profitability, growth and the transformation of the Group to a Digital by Default business. A similar scheme also applied to bonuses paid in respect of the year ended 31 December 2021.

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 10 months' written notice, such notice increasing by one month for each completed year of service to a maximum of 12 months in total.

Directors' interests

Details of the directors' shareholdings are included in the Directors' Report on page 68.

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 2022	Weighted average exercise price at 31 Dec 2022	Number of options at 31 Dec 2021	Weighted average exercise price at 31 Dec 2021
Executive directors				
Bobby Kalar	567,062	£0.92	309,168	£1.62
Paul Rawson	316,359	£0.24	371,465	£0.16

Of the share options outstanding to executive directors at 31 December 2022:

- 403,234 for Bobby Kalar and 301,926 for Paul Rawson are conditional on achieving certain performance targets linked to the Group's share price or profitability targets. Such performance shares include 250,000 for Bobby Kalar and 187,000 for Paul Rawson which were awarded in December 2022. Performance share options are at an exercise price, assuming performance conditions are met, of the par value of the shares, being £0.005.
- 7,894 for each of Bobby Kalar and Paul Rawson options were granted 1 December 2022 under the Group's 2022 Save As You Earn ("SAYE") scheme, at an exercise price of £2.28 per share.

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

On 13 May 2022, Paul Rawson exercised 250,000 share options (awarded in 2019 as part of the Group's Long Term Incentive Plan) at an exercise price of par value, being £0.005. The gain arising on exercise was £473,750.

On 9 August 2022, Bobby Kalar and Paul Rawson both exercised 12,857 shares each on maturity of the Group's 2019 SAYE scheme, at an exercise price of £1.75. The gain arising on exercise for each individual was £3,857.

Directors' remuneration (audited)

	Salary/fees £'000	Bonus ¹ £'000	Benefits £'000	Employer's pension contributions £'000	Total 2022 £'000	Total 2021 £'000
Executive						
Bobby Kalar (CEO)	250	250	—	10	510	370
Paul Rawson (CFO)	207	207	—	6	420	264
Non-executive						
Robin Paynter Bryant	45	—	—	—	45	45
Tony Perkins	35	—	—	—	35	35
John Glasgow	35	—	—	—	35	35
	572	457	—	16	1,045	749

¹ The bonus amounts for Bobby Kalar and Paul Rawson are payable in March 2023 in relation to the period ended 31 December 2022.

JOHN GLASGOW

Chairman of the Remuneration Committee

14 March 2023

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2022 ("FY22").

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. Such information is included in the review of the business on page 1, our business model and strategy on pages 6 and 7 respectively, the review of performance in the Chairman's Statement, Chief Executive Officer's Statement and Finance Review from pages 4, 8 and 25 respectively, and the risks and uncertainties from page 52.

s172 and stakeholder engagement statement

The s172 and stakeholder engagement statement can be found on pages 42 and 43.

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 propose the payment of a final dividend of 3p per share in respect of FY22 (FY21: nil).

There was no interim dividend in relation to 2022 (2021: nil).

Directors

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

- › Robin Paynter Bryant
- › John Glasgow
- › Bobby Kalar
- › Tony Perkins
- › Paul Rawson

The Company maintains directors' and officers' liability insurance. This insurance cover has been established for all directors to provide appropriate cover for their reasonable actions on behalf of the Group. This was in force during the year ended 31 December 2022 and at the date of this report.

Significant shareholders

The Company is informed that, at 31 December 2022 (and the directors are not aware of any material change to the date of this report), individual registered shareholdings 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	8,665,506	53.30%
Jamieson Principal Pension Fund	1,105,000	6.64%
Premier Miton Group	1,084,723	6.52%
Nick Parker	500,000	3.00%

Directors' shareholdings

The beneficial interests of the directors in the share capital of the Company at 31 December 2022 were as follows:

	Number of ordinary shares held	% of issued ordinary share capital
Executive directors		
Bobby Kalar	8,665,506	53.30%
Paul Rawson	171,360	1.03%
Non-executive directors		
John Glasgow	18,411	0.11%
Robin Paynter Bryant	—	—
Tony Perkins	19,500	0.12%

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 18 May 2023. The notice of meeting appears on pages 103 and 104 of this annual report.

Financial instruments

Details of how the Group manages its risk in relation to use of financial instruments are included in note 20 to the financial statements.

Political and charitable donations

During the year ended 31 December 2022 the Group made political donations of £nil (2021: £nil) and charitable donations of £nil (2021: £nil).

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 2022 was seven days (2021: ten days).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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. The Group also provides green energy as part of its operations, providing low or zero carbon electricity and gas to a number of customers.

The directors are also aware of their reporting obligations under the Companies Act 2006, as below:

UK operations	2022	2021
Energy consumption used to calculate emissions (kWh)	327,755	354,898
Emissions from direct sources (tCO ₂ e) (Scope 1)	—	—
Emissions from energy purchased for own use (tCO ₂ e) (Scope 2)	76	83
Emissions from indirect sources such as business travel (tCO ₂ e) (Scope 3)	—	—
Intensity ratio (tCO ₂ e/employee)	0.4	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 2022 include the introduction of schemes to incentivise the use of electric cars by employees, supported by the installation of EV chargepoints, and continuing to encourage online/virtual meetings - replacing in person meetings for staff in different office locations. We use smart and energy efficient lighting and appliances throughout our offices, and buildings are well insulated and make the most of natural light.

Further information on our green products offered to customers and our approach to sustainability is detailed from page 48.

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
Company Secretary
14 March 2023

In respect of the annual report and the financial statements

The directors are responsible for preparing the Strategic Report, 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 have elected under company law and are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with UK-adopted International Accounting Standards 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 UK-adopted International Accounting Standards 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 for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted International Accounting Standards and for the Company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements; and
- 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.



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INDEPENDENT AUDITOR’S REPORT

To the members of Yü Group PLC

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 2022 which comprise the 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 cashflows 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 UK-adopted International Accounting Standards. 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 2022 and of the group’s profit for the year then ended;
- › the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- › 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 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.

Summary of our audit approach

Key audit matters

Group

- › Revenue recognition and accrued income
- › Trade receivable and accrued income recoverability

Parent company

- › No parent company key audit matters

Materiality

Group

- › Overall materiality: £975,000 (2021: £650,000)
- › Performance materiality: £731,000 (2021: £487,000)

Parent company

- › Overall materiality: £365,000 (2021: £361,000)
- › Performance materiality: £273,000 (2021: £270,000)

Scope

Our audit procedures covered 99% of revenue, 98% of total assets and 89% of profit before tax.

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	<p>Refer to accounting policy on page 84 regarding revenue and accrued income and note 16 regarding trade and other receivables.</p> <p>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.</p>
How the matter was addressed in the audit	<p>For revenue and accrued income we evaluated the appropriateness of the recognition policy and judgements as disclosed in note 1.</p> <p>We used data techniques to corroborate revenue through reconciliation to cash received. For income accrued at the year end, additional procedures were undertaken to check that this was subsequently billed. We selected a sample of contracts and transactions to verify if the control which establishes the accurate set-up of a contract in the system was operating effectively and therefore whether revenue had been recognised in accordance with the agreed terms.</p> <p>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.</p> <p>We considered and evaluated the Group's disclosures in relation to revenue recognition.</p>

Trade receivable and accrued income recoverability

Key audit matter description	<p>Refer to accounting policy on page 84 regarding revenue and accrued income and note 16 regarding trade and other receivables and note 20 which considers credit risk.</p> <p>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.</p> <p>The trade receivables that are overdue and a proportion of accrued income which is not billed immediately following the month end 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 materially different to the value recognised.</p>
How the matter was addressed in the audit	<p>The methodology utilised by management to calculate the provision including expected credit loss was reviewed.</p> <p>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. This included new customers obtained during the year.</p> <p>We selected a sample of accounts and performed detailed testing to invoices and cash receipts. The impairment and expected credit loss provision was evaluated through a combination of analytical procedures, the results of tests of detail and recent collection history.</p> <p>We also considered the adequacy of the Group's trade and other receivables accounting policy disclosed in note 1 and note 20 which refers to credit risk.</p>

INDEPENDENT AUDITOR’S REPORT continued

To the members of Yü Group PLC

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	£975,000 (2021: £650,000)	£365,000 (2021: £361,000)
Basis for determining overall materiality	0.35% of Revenue	1.37% of Total assets
Rationale for benchmark applied	This is considered a focus for investors as the Group continues to grow and returns to profitability.	Total assets was chosen as the entity is a non-trading holding company
Performance materiality	£731,000 (2021: £487,000)	£273,000 (2021: £270,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £48,700 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £18,200 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 5 components, all of which are based in the UK.

The coverage achieved by our audit procedures was: Full scope audits were performed for 3 components and analytical procedures at group level for the remaining 2 components.



- 1 Full scope
- 2 Analytical procedures

Full scope audits were performed for 3 components and analytical procedures at group level for the remaining 2 components.

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. Our evaluation of the directors’ assessment of the group’s and parent company’s ability to continue to adopt the going concern basis of accounting included:

- › understanding how the cashflow forecasts for the going concern period had been prepared and the assumptions adopted;
- › testing the integrity of the forecast model to ensure it was operating as expected;
- › challenging the key assumptions within the forecast with agreement to supporting data where possible;
- › consideration and challenge of management’s assessment of the counterparty risk associated with the Group’s energy trading; arrangements, given the current market volatility;
- › review and challenge of the appropriateness of the sensitivity analysis performed by management and available actions within those scenarios.

In forming our assessment of going concern we have considered the cash held of £19m and there being no external debt.

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.

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 Statement of Directors' Responsibilities set out on page 69, 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.

INDEPENDENT AUDITOR’S REPORT continued

To the members of Yü Group PLC

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

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.

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 operates 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;
- 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:
UK-adopted IAS, FRS101 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	<ul style="list-style-type: none"> ➤ Testing the appropriateness of journal entries and other adjustments; ➤ Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and ➤ 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
14 March 2023**

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	31 December 2022 £'000	31 December 2021 £'000
Revenue		278,587	155,423
Cost of sales		(234,462)	(140,180)
Gross profit		44,125	15,243
Operating costs before non-recurring items and share based payment charges		(15,565)	(9,407)
Operating costs – non-recurring items	7	—	(644)
Operating costs – share based payment charges	22	(284)	(249)
Total operating costs		(15,849)	(10,300)
Net impairment losses on financial and contract assets	16	(21,420)	(4,799)
Other (losses)/gains	7	(926)	3,344
Operating profit	4	5,930	3,488
Finance income	5	1	—
Finance costs	5	(91)	(96)
Profit before tax		5,840	3,392
Taxation	9	(1,071)	1,059
Profit and total comprehensive income for the year		4,769	4,451
Earnings per share			
Basic	8	£0.29	£0.27
Diluted	8	£0.26	£0.26

CONSOLIDATED AND COMPANY BALANCE SHEET

At 31 December 2022

	Notes	Group		Company	
		31 December 2022 £'000	31 December 2021 £'000	31 December 2022 £'000	31 December 2021 (restated*) £'000
ASSETS					
Non-current assets					
Intangible assets	11	3,111	1,333	—	—
Property, plant and equipment	12	3,641	3,751	3,250	3,351
Right-of-use assets	13	113	193	—	—
Deferred tax assets	15	5,300	5,932	824	191
Trade and other receivables	16	—	—	8,119	12,473
Financial derivative asset	17	1,562	870	—	—
		13,727	12,079	12,193	16,015
Current assets					
Stock		345	—	—	—
Trade and other receivables	16	54,339	37,339	996	500
Financial derivative asset	17	1,484	3,102	—	—
Cash and cash equivalents	18	18,970	7,049	13,488	501
		75,138	47,490	14,484	1,001
Total assets		88,865	59,569	26,677	17,016
LIABILITIES					
Current liabilities					
Trade and other payables	19	(73,860)	(49,743)	(9,161)	(435)
Non-current liabilities					
Trade and other payables	19	(206)	(541)	—	—
Total liabilities		(74,066)	(50,284)	(9,161)	(435)
Net assets		14,799	9,285	17,516	16,581
EQUITY					
Share capital	21	83	82	83	82
Share premium	21	11,785	11,690	11,785	11,690
Merger reserve	21	(50)	(50)	(50)	(50)
Retained earnings/(accumulated losses)	21	2,981	(2,437)	5,698	4,859
		14,799	9,285	17,516	16,581

* The restatement of the FY21 Company balance sheet relates to a reclassification from current to non-current trade and other receivables, as disclosed in note 16. There is no impact on profit or net assets, and no restatement of the Group balance sheet.

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 generated a profit of £190,000 for the year (2021: £424,000 loss).

The financial statements on pages 77 to 102 were approved by the Board of directors on 14 March 2023 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 2022

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2022	82	11,690	(50)	(2,437)	9,285
Total comprehensive income for the year					
Profit for the year	—	—	—	4,769	4,769
Other comprehensive income	—	—	—	—	—
	—	—	—	4,769	4,769
Transactions with owners of the Company					
Contributions and distributions					
Equity-settled share based payments	—	—	—	210	210
Deferred tax on share based payments	—	—	—	439	439
Proceeds from share issues	1	95	—	—	96
Total transactions with owners of the Company	1	95	—	649	745
Balance at 31 December 2022	83	11,785	(50)	2,981	14,799
Balance at 1 January 2021	82	11,690	(50)	(7,209)	4,513
Total comprehensive income for the year					
Profit for the year	—	—	—	4,451	4,451
Other comprehensive income	—	—	—	—	—
	—	—	—	4,451	4,451
Transactions with owners of the Company					
Contributions and distributions					
Equity-settled share based payments	—	—	—	237	237
Deferred tax on share based payments	—	—	—	84	84
Proceeds from share issues	—	—	—	—	—
Total transactions with owners of the Company	—	—	—	321	321
Balance at 31 December 2021	82	11,690	(50)	(2,437)	9,285

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2022	82	11,690	(50)	4,859	16,581
Total comprehensive income for the year					
Profit for the year	—	—	—	190	190
Other comprehensive income	—	—	—	—	—
	—	—	—	190	190
Transactions with owners of the Company					
Contributions and distributions					
Equity-settled share based payments	—	—	—	210	210
Deferred tax on share based payments	—	—	—	439	439
Proceeds from share issues	1	95	—	—	96
Total transactions with owners of the Company	1	95	—	649	745
Balance at 31 December 2022	83	11,785	(50)	5,698	17,516
Balance at 1 January 2021	82	11,690	(50)	4,962	16,684
Total comprehensive income for the year					
Loss for the year	—	—	—	(424)	(424)
Other comprehensive income	—	—	—	—	—
	—	—	—	(424)	(424)
Transactions with owners of the Company					
Contributions and distributions					
Equity-settled share based payments	—	—	—	237	237
Deferred tax on share based payments	—	—	—	84	84
Proceeds from share issues	—	—	—	—	—
Total transactions with owners of the Company	—	—	—	321	321
Balance at 31 December 2021	82	11,690	(50)	4,859	16,581

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	31 December 2022 £'000	31 December 2021 £'000
Cash flows from operating activities		
Profit for the financial year	4,769	4,451
Adjustments for:		
Depreciation of property, plant and equipment	325	255
Depreciation of right-of-use assets	80	80
Amortisation of intangible assets	648	352
Unrealised loss/(gains) on derivative contracts	926	(3,344)
Increase in stock	(345)	—
Increase in trade and other receivables	(17,000)	(19,700)
Increase in trade and other payables	23,889	17,468
Cash received on obtaining customer contracts	—	378
Finance income	(1)	—
Finance costs	91	96
Taxation	1,071	(1,059)
Share based payment charge	284	249
Net cash from/(used in) operating activities	14,737	(774)
Cash flows from investing activities		
Purchase of property, plant and equipment	(215)	(2,629)
Payment of software development costs	(2,210)	(1,079)
Payment of consideration on business combination	(216)	—
Net cash used in investing activities	(2,641)	(3,708)
Cash flows from financing activities		
Net proceeds from share option exercises	96	—
Cash-settled share based payment charge	(74)	(12)
Interest paid	(76)	(77)
Principal element of lease payments	(121)	(120)
Net cash used in financing activities	(175)	(209)
Net increase/(decrease) in cash and cash equivalents	11,921	(4,691)
Cash and cash equivalents at the start of the year	7,049	11,740
Cash and cash equivalents at the end of the year	18,970	7,049

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies

The consolidated financial statements of the Group for the year ended 31 December 2022 were approved and authorised for issue in accordance with a resolution of the directors on 14 March 2023. Yü Group PLC (the "Company") is a public limited company incorporated in the United Kingdom, with company number 10004236. The Company is limited by shares and the Company's ordinary shares are traded on AIM.

Basis of preparation

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards. 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 following exemptions from the requirements of IFRS have been applied in the preparation of the parent company financial statements and, where relevant, equivalent disclosures have been made in the Group accounts, in accordance with FRS 101:

- › presentation of a cash flow statement and related notes;
- › disclosures in respect of transactions with the parent or wholly owned subsidiaries;
- › IFRS 7 "Financial Instruments: Disclosures";
- › disclosures in respect of capital management;
- › disclosures in respect of key management personnel;
- › comparative period reconciliations for share capital; and
- › disclosure of the future impact of new IFRS in issue but not yet effective at the reporting date.

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 2022 the Group had net assets of £14.8m (2021: £9.3m) and cash of £19.0m (2021: £7.0m).

Management prepares detailed budgets and forecasts of financial performance and cash flow (including capital commitments) 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 (including those set out in the Strategic Report) and sensitivities in relation to performance, the energy market and the wider economy.

The Group has demonstrated significant progress in its results. This has led to adjusted EBITDA (a close profitability measure to cash generated from operations) in 2022 of £7.9m (2021: £1.7m), which continues the very strong momentum in the Group's results occurring since 2018. Management is confident in continuing this improvement in profitability based on its business model.

The profitability delivered in 2022 has been achieved by robust and disciplined management of gross margin; the successful integration of new customer books awarded to the Group by Ofgem (AmpowerUK, Xcel and Whoop Energy), and includes £1.1m op-ex investment in Yü Smart, a business which is expected to significantly contribute to the Group's financial performance. The Group has continued its prudent hedging policy protecting the Group from the significant commodity market price volatility recently experienced, and has successfully implemented BEIS's Energy Bill Relief Scheme ("EBRS").

The Group has embarked on an ambitious Digital by Default implementation strategy to help drive further cost efficiency which is expected to further enhance financial performance as the Group scales.

Group available cash is at a historic high level, with £19.0m available at 31 December 2022, a material increase on the £7.0m at the end of 2021. This increase is despite significant investment in digital tools to improve profitability over the medium term, and the investment in Yü Smart.

The Group has no debt other than £0.2m (at 31 December 2022) in respect of the lease for the Group's Nottingham office.

The Board has assessed risks and sensitivities and potential mitigation steps available to it in detail and continues to monitor risk and mitigation strategies in the normal course of business.

1. Significant accounting policies *continued*

Going concern *continued*

Customer receivables and bad debt

The Board consider customer receivable risks in view of increased energy prices and cost of living pressures which impact the wider market. With increased levels of bad debt in FY22, the Board performed sensitivities on material changes to customer payment behaviour including the timing of payments or if bad debt levels continue to increase.

The Group has extensive mitigating actions in place. This includes credit checks at point of sale and throughout the customer lifecycle, the requirement for some customers to pay reasonable security deposits at the point of sale, and the offering (ensuring compliance with regulation and good industry practice) of pay as you go products which enable certain customers to access more favourable tariffs. The Group also supports customers with payment plan arrangements, for those customers who will, when able, provide payment, and will ultimately (for some customers, as appropriate based on the circumstances) progress legal and/or disconnection proceedings to mitigate ongoing bad debt.

The Board has also considered the impact of reduced regulatory support following the planned removal of the Energy Bill Relief Scheme ("EBRS") from 1 April 2023, to be replaced with a less significant scheme for business customers.

In view of the reduced market prices, and the Group's ability to manage debt through various mitigating actions, the Board is confident that there will be no material impact relevant to the going concern assumption.

Hedging arrangements and volatile energy markets

A 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, ("the Trading Agreement") enables the Group to purchase electricity and gas on forward commodity markets. The Trading Agreement enables forecasted customer demand to be hedged in accordance with an agreed risk mandate (further detailed in the Group's risk and uncertainties reporting in the Strategic Report). With the unprecedented volatility in commodity market prices for forward gas and electricity, this hedging position and the Board defined risk strategy has and continues to protect the Group.

As part of the Trading Agreement, SmartestEnergy Ltd holds security over the trading assets of the Group which could, ultimately and in extreme and limited circumstances, lead to a claim on some or all of the 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 the Trading Agreement to assess the likelihood of the credit facility being reduced or withdrawn. Management also maintains close dialogue with SmartestEnergy Ltd in respect of such covenants and provides robust oversight of the relevant contracts.

The position in respect of the forward credit exposure is also monitored and forecasted to understand the potential risks which may arise:

- a) Where commodity market prices increase, the Board considers credit and contractual exposure to SmartestEnergy Ltd, which (under a default position) could lead to the unwind of hedges with the loss of value due to the Group if not successfully recovered under the contract. With increased market prices, this exposure increased significantly during 2021 and Q3 and early Q4 of 2022.
- b) Where commodity market prices decrease, the Board considers whether the credit limit provided under the Trading Agreement is sufficient to prevent the potential for cash calls which may be more than the Group's available cash reserves. The Board also considers likely commercial outcomes relevant for such a scenario, and mitigating actions available to the Group. Mitigating actions include, where possible, unwinding forward commodity hedge positions to prevent the credit position increasing further, which may expose the Group to increased risk over the medium to long term.

Despite the market volatility experienced in 2022 and early 2023, the Trading Agreement continues to operate well and provides reliable, efficient and effective access to traded commodity markets.

The Board also considers its business model and compares it with competitors which have failed, to determine any other risks related to the volatile energy markets. This risk is considered lower than in the previous year, and the Board is satisfied that the Group's business model is adequately differentiated from these market issues.

After a detailed review, the Board has concluded that there are no liquidity issues likely to arise (outside of available mitigating strategies) in relation to the hedging arrangements and current market context.

Summary

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

Basis of consolidation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. Significant accounting policies continued

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;**

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. The utilisation of smart or automatic meters is significant and growing in the Group, which reduces the amount estimated.

› **the level of accrual for unbilled revenue;**

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. The estimate of customer consumption is based on available industry data, and also seasonal usage curves that have been estimated through historical actual usage data. The accrual for unbilled revenue is based on prudent assumptions where management has some doubt on the ability to bill such charges to customers.

› **the accrual for certain energy costs;**

Certain gas and electricity costs (for example, balancing of the Group's commodity purchases across industry participants; or the allocation to the Group of "unidentified gas" which the industry spreads across market participants) are based on industry or management estimates based on knowledge of the market, historic norms and estimates of the expected out-turn position which may be over or underestimates.

› **the recoverability of trade receivables and related expected credit loss provision;**

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. Management also conducts a detailed review of significant debtor balances at the year end, including exposure after VAT and CCL, provisions and other accounting adjustments are considered. Sensitivity analysis on estimates is provided in note 20.

› **the level of forward energy commodity contracts which are not strictly for "own use" under IFRS 9;**

The Group enters forward purchase contracts to hedge its position to closely match customers' expected demand over the term of the contract and does not engage in speculative trading. Factors such as the shape/granularity of traded products available (which do not perfectly align with customer demand) and variations in energy consumed by customers (as a result of varying customer behaviour and activity, and (particularly for gas) the weather impact) can influence the extent of trades which are not strictly for the Group's "own use". Such contracts are accounted for at fair value through the Group's profit or loss. The Board estimates the proportion of forward contracts which are to be assessed at fair value by considering the expected "normalised" forward traded position, with reference to historical performance on matching customer demand and the Group's robustly controlled hedging and risk strategy. Sensitivity analysis on estimates is provided in note 20.

› **the assumptions input to the IFRS 2 share option charge calculations;**

The share option charge requires certain estimates, including the volatility in share price, risk-free rates and dividend yields, together with assessment of achievement of certain vesting conditions including achievement of share price and EBITDA targets in performance shares.

› **the recoverability of deferred tax assets.**

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

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.

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

1. Significant accounting policies *continued*

Revenue recognition *continued*

Government support to customers

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

Financial instruments

Non-derivative financial instruments

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

Trade and other receivables

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

Impairment

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

Trade and other payables

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

Cash and cash equivalents

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

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

Derivative financial instruments

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

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

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

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

Classification of financial instruments issued by the Group

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

- (a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- (b) where the instrument will or may be settled in the Group’s own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company’s own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

Details of the sensitivity analysis performed in relation to the Group’s financial instruments are included in note 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. Significant accounting policies continued

Intangible assets

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

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

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

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

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

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

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

Property, plant and equipment

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

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

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

Assets under construction include smart metering, or other metering, assets which are acquired by the Group on the basis that they will be installed on customer premises.

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.

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

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

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

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

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

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

1. Significant accounting policies *continued*

Leased assets

The Group as a lessee

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

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

Measurement and recognition of leases as a lessee

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

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

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

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

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

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

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

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

Stock

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

Share based payments

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

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

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

Pension and post-retirement benefit

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. Significant accounting policies continued

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. Consequently, the Group has one reportable segment, which is the supply of electricity, gas and water to businesses. Segmental profit is measured at operating profit level, as shown on the face of the statement of profit and loss.

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

Standards and interpretations

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

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

Geographical segments

100% of Group revenue, for both financial years, is generated from sales to customers in the United Kingdom (2021: 100%) and is recognised at a point in time.

The Group has no individual customers representing over 10% of revenue (2021: none).

3. Auditor's remuneration

	2022 £'000	2021 £'000
Audit of these financial statements	95	72
Amounts receivable by auditor in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	55	44
	150	116

4. Operating profit

	2022 £'000	2021 £'000
Profit for the year has been arrived at after charging:		
Staff costs (see note 6)	9,045	5,634
Depreciation of property, plant and equipment	325	255
Depreciation of right-of-use assets	80	80
Amortisation of intangible assets	648	352

5. Net finance (income)/expense

	2022 £'000	2021 £'000
Bank interest and other finance charges payable	77	77
Interest on lease liabilities	14	19
Total finance costs	91	96
Bank interest receivable	(1)	—
	90	96

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:

	2022 Number	2021 Number
Engineering	7	—
Sales	24	31
Administration	159	114
	190	145

The aggregate payroll costs of these persons were as follows:

	2022 £'000	2021 £'000
Wages and salaries	8,004	5,043
Social security costs	719	539
Pension costs	144	97
Share based payments	284	249
	9,151	5,928
Of which:		
Amounts charged to operating profit	9,045	5,634
Amounts related to development and implementation of computer software	106	294

There were three persons employed directly by the Company during the year ended 31 December 2022 (2021: three), being the non-executive directors. The Company's two (2021: two) executive directors who served during the year have service contracts with a wholly owned subsidiary of the Company.

Key management personnel

The aggregate compensation made to directors and other members of key management personnel (being members of the Group's Executive Committee comprising the Chief Executive Officer, Chief Financial Officer and other senior leaders) is set out below:

	2022 £'000	2021 £'000
Short-term employee benefits	2,445	1,191
Social security and pension costs	375	165
Share based payments	252	228
	3,072	1,584

The highest paid director and remuneration of the executive directors are as disclosed in the Remuneration Committee Report from page 66 and are included in these accounts by cross reference.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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.

	2022 £'000	2021 £'000
Adjusted EBITDA reconciliation		
Operating profit	5,930	3,488
Add back:		
Share based payment charge	—	249
Unrealised loss/(gain) on derivative contracts	926	(3,344)
Non-recurring operational costs	—	644
Depreciation of property, plant and equipment	325	255
Depreciation of right-of-use assets	80	80
Amortisation of intangibles	648	352
Adjusted EBITDA	7,909	1,724

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

From 2022, share based payment charges are included (i.e. set against) adjusted EBITDA.

The unrealised loss on derivative contracts of £926,000 (2021: gain of £3,344,000) arises from a small proportion of forward commodity hedges which do not meet the strict "own use" criteria under IFRS 9 ("Financial Instruments"). Such forward commodity trades are therefore recognised at their fair value, being a financial asset, as further described in note 17. Such amounts are typically non-cash impacting.

The non-recurring operational costs in 2021 of £644,000 relates to accrued industry costs mutualised across energy market participants. There are no such costs or gains in 2022.

8. Earnings per share**Basic earnings per share**

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

	2022 £'000	2021 £'000
Profit for the year attributable to ordinary shareholders	4,769	4,451

	2022	2021
Weighted average number of ordinary shares		
At the start of the year	16,316,215	16,281,055
Effect of shares issued in the year	180,818	18,591
Number of ordinary shares for basic earnings per share calculation	16,497,033	16,299,646
Dilutive effect of outstanding share options	1,722,632	1,099,153
Number of ordinary shares for diluted earnings per share calculation	18,219,665	17,398,799

	2022 £	2021 £
Basic earnings per share	0.29	0.27
Diluted earnings per share	0.26	0.26

8. Earnings per share continued

Adjusted earnings per share

Adjusted earnings per share is based on the result attributable to ordinary shareholders before non-recurring items after tax, unrealised losses or gains on derivative contracts and the weighted average number of ordinary shares outstanding (for 2021, the share based payment charge is excluded):

	2022 £'000	2021 £'000
Adjusted earnings per share		
Profit for the year attributable to ordinary shareholders	4,769	4,451
Add back operating profit adjusting items (per note 7):		
Non-recurring items after tax	—	522
Unrealised loss/(gain) on derivative contracts after tax (gross loss, before tax, of £926,000)	750	(2,709)
Share based payments after tax (FY21 only)	—	202
Adjusted basic profit for the year	5,519	2,466
Adjusted earnings per share	£0.33	£0.15
Diluted adjusted earnings per share	£0.30	£0.14

9. Taxation

	2022 £'000	2021 £'000
Deferred tax charge/(credit)		
Current year	1,365	(631)
Adjustment in respect of prior years	(294)	(428)
Total tax charge/(credit)	1,071	(1,059)
Tax recognised directly in equity		
Current tax recognised directly in equity	—	—
Deferred tax recognised directly in equity	(439)	(84)
Total tax recognised directly in equity	(439)	(84)
Reconciliation of effective tax rate		
Profit before tax	5,840	3,392
Tax at UK corporate tax rate of 19% (2021: 19%)	1,110	644
Expenses not deductible for tax purposes	50	26
Tax relief on exercise of share options	(135)	(18)
Impact of temporary differences	130	(94)
Adjustments in respect of prior periods – deferred tax	(243)	(428)
Timing difference on utilisation of deferred tax balances	159	—
Increase in tax rate on deferred tax balances	—	(1,189)
Tax charge/(credit) for the year	1,071	(1,059)

There is no current tax charge for the year (2021: nil).

Deferred taxes at 31 December 2022 and 31 December 2021 have been measured using the enacted tax rates at that date and are reflected in these financial statements on that basis. Following the March 2021 Budget, the tax rate effective from 1 April 2023 increases from the current 19% to 25%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

10. Dividends

The Group did not pay an interim dividend in relation to 2022 (2021: nil per share).

The directors propose a final dividend in relation to 2022 of 3p per share (2021: nil per share).

11. Intangible assets

	Electricity licence £'000	Goodwill £'000	Customer books £'000	Software and systems £'000	Total £'000
Cost					
At 1 January 2022	62	—	686	1,079	1,827
Additions	—	216	—	2,210	2,426
At 31 December 2022	62	216	686	3,289	4,253
Amortisation					
At 1 January 2022	14	—	473	7	494
Charge for the year	2	—	213	433	648
At 31 December 2022	16	—	686	440	1,142
Net book value at 31 December 2022	46	216	—	2,849	3,111
Cost					
At 1 January 2021	62	—	686	—	748
Additions	—	—	—	1,079	1,079
At 31 December 2021	62	—	686	1,079	1,827
Amortisation					
At 1 January 2021	12	—	130	—	142
Charge for the year	2	—	343	7	352
At 31 December 2021	14	—	473	7	494
Net book value at 31 December 2021	48	—	213	1,072	1,333

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

Goodwill of £216,000 arises on the acquisition of the management and certain other assets of Magnum Utilities Limited in May 2022, as disclosed in note 26. The acquisition created the foundations for the YÜ Smart business unit established in the year.

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

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

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

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

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

12. Property, plant and equipment

Group	Freehold land and property £'000	Assets under construction £'000	Fixtures and fittings £'000	Plant and machinery £'000	Computer equipment £'000	Total £'000
Cost						
At 1 January 2022	3,424	—	337	—	353	4,114
Additions	—	—	5	73	137	215
At 31 December 2022	3,424	—	342	73	490	4,329
Depreciation						
At 1 January 2022	73	—	103	—	187	363
Charge for the year	109	—	102	—	114	325
At 31 December 2022	182	—	205	—	301	688
Net book value at 31 December 2022	3,242	—	137	73	189	3,641
Cost						
At 1 January 2021	150	1,013	80	—	335	1,578
Transfer from asset under construction	1,013	(1,013)	—	—	—	—
Additions	2,261	—	265	—	103	2,629
Disposals	—	—	(8)	—	(85)	(93)
At 31 December 2021	3,424	—	337	—	353	4,114
Depreciation						
At 1 January 2021	—	—	41	—	160	201
Charge for the year	73	—	70	—	112	255
Disposals	—	—	(8)	—	(85)	(93)
At 31 December 2021	73	—	103	—	187	363
Net book value at 31 December 2021	3,351	—	234	—	166	3,751

Freehold land of £150,000 (at cost and net book value) is included in freehold land and property.

Included within the above net book value of property, plant and equipment is £3,250,000 (£3,351,000 at 31 December 2021) of freehold land, freehold property and plant & machinery which are owned by the Company. All of the freehold land and property movements in cost and depreciation disclosed for the Group (and £8,000 of plant and machinery) are also for the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

13. Right-of-use assets and lease liabilities

Group	Right-of-use assets £'000
Cost	
At 1 January 2022	799
Additions	—
At 31 December 2022	799
Depreciation	
At 1 January 2022	606
Charge for the year	80
At 31 December 2022	686
Net book value at 31 December 2022	113
Cost	
At 1 January 2021	799
Additions	—
At 31 December 2021	799
Depreciation	
At 1 January 2021	526
Charge for the year	80
At 31 December 2021	606
Net book value at 31 December 2021	193

The Group has a lease arrangement for its main office facilities in Nottingham. 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 2022 and 31 December 2021.

The table below provides details of the Group's right-of-use asset and lease liability recognised on the balance sheet at 31 December 2022:

Right-of-use asset	Remaining term	Borrowing rate	Asset carrying amount	Lease liability	Depreciation expense	Interest expense
Premises	1.5 years	5%	£113,000	£160,000	£80,000	£14,000

The total cash outflow for leases in 2022 was £161,000 (2021: £120,000).

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 FY22 the amount expensed to profit and loss was £40,000 (2021: £1,000).

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, all of which are incorporated in the United Kingdom:

Company name	Holding	Proportion of shares held	Nature of business
Yü Energy Holding Limited	Ordinary shares	100%	Gas shipping services and holding company
Yü Energy Retail Limited	Ordinary shares	100% ¹	Supply of energy to businesses
Yu Water Limited	Ordinary shares	100%	Supply of water to businesses
KAL Portfolio Trading Limited	Ordinary shares	100%	Dormant
Yü-Smart Limited	Ordinary shares	100%	Smart metering installation and maintenance
Yü Services Limited	Ordinary shares	100%	Dormant, holding company
Yü PropCo Limited	Ordinary shares	100% ²	Dormant
Kensington Meter Assets Limited	Ordinary shares	100% ²	Financing of energy meter assets

All of the above entities are included in the consolidated financial statements and are direct holdings of the Company except:

- 1 Yü Energy Retail Limited is a subsidiary of Yü Energy Holding Limited.
- 2 Yü PropCo Limited and Kensington Meter Assets Limited are both subsidiaries of Yü Services Limited.

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 105.

15. Deferred tax assets

Deferred tax assets are attributable to the following:

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Property, plant and equipment	(21)	(45)	—	1
Tax value of loss carry-forwards	4,717	5,812	220	25
Share based payments	604	165	604	165
	5,300	5,932	824	191

Movement in deferred tax in the period:

	At 1 January 2022 £'000	Recognised in income £'000	Recognised directly in equity £'000	At 31 December 2022 £'000
Property, plant and equipment	(45)	24	—	(21)
Tax value of loss carry-forwards	5,812	(1,095)	—	4,717
Share based payments	165	—	439	604
	5,932	(1,071)	439	5,300

	At 1 January 2021 £'000	Recognised in income £'000	Recognised directly in equity £'000	At 31 December 2021 £'000
Property, plant and equipment	(32)	(13)	—	(45)
Tax value of loss carry-forwards	4,740	1,072	—	5,812
Share based payments	81	—	84	165
	4,789	1,059	84	5,932

The deferred tax asset is expected to be utilised by the Group in the coming years and there is no time limit to utilisation of such losses. The Board forecasts 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.

Deferred tax for the Company includes the Group movements recognised directly in equity, in 2022 and 2021, in share based payments equivalent to those disclosed for the Group. For 2022, the Company charge to deferred tax also includes £194,000 tax value of losses carried forward and £1,000 related to property, plant and equipment, which are both recognised in income (2021: £26,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

16. Trade and other receivables

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 (restated) £'000
Current				
Gross trade receivables	30,977	11,618	—	—
Provision for doubtful debts and expected credit loss	(19,499)	(6,007)	—	—
Net trade receivables	11,478	5,611	—	—
Accrued income – net of provision	31,842	21,972	—	—
Prepayments	3,065	4,183	—	—
Other receivables	7,954	5,573	500	500
Amount due from subsidiary undertakings	—	—	496	—
	54,339	37,339	996	500
Non-current				
Amount due from subsidiary undertakings	—	—	8,119	12,473

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

	2022 £'000	2021 £'000
Opening balance	6,007	5,162
Provisions recognised less unused amounts reversed	21,071	4,185
Provision utilised in the year	(7,579)	(3,340)
Closing balance – provision for doubtful debts and expected credit losses	19,499	6,007

The directors have assessed the level of provision at 31 December 2022 by reference to the recoverability of customer receivable balances post the year end, and believe the provision carried is appropriate.

An additional provision of £349,000 (2021: £614,000) for expected credit loss on accrued income was charged in the period, leading to a total provision at 31 December 2022 of £1,830,000 (2021: £1,481,000). Expected credit losses and the recognition, where appropriate, of previous customer credit balances are recognised in the income statement as net impairment losses on financial and contract assets.

The net impairment losses on financial and contract assets of £21,420,000 (2021: £4,799,000) consist of £349,000 (2021: £614,000) provision charged for expected credit loss on accrued income, and £21,071,000 (2021: £4,185,000) provision for bad debts and expected credit loss on trade receivables.

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

Group other receivables include £2,100,000 receivable from the Government's Energy Bill Relief Scheme (2021: £nil). Such amount was reclaimed and received by the Group in January 2023.

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. Group other receivables include a further £69,000 of cash held in bank accounts owned by the Group which are related to Government led support for customers.

The amount due from subsidiary undertakings in the Company accounts of Yü Group PLC at 31 December 2022 includes £8,119,000 (2021: £12,773,000) drawn down by the subsidiary undertakings as part of a formal loan facility, the 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 the Bank of England base rate.

The Board of Yü Group PLC has considered the provisions around impairment of intercompany indebtedness contained within IFRS 9 "Financial Instruments" and concluded (on the basis of other amounts due to subsidiaries off-setting receivable balances) that there is no requirement for an expected credit loss provision at 31 December 2022 (2021: £300,000 provision), leading to a £300,000 credit to profit in 2022. This credit to profit, and the previous provision, is not included in the Group's consolidated financial statements.

The net amount of £12,473,000 due to the Company from subsidiary undertakings at 31 December 2021 was previously classified as a current asset in the Company's balance sheet. This has been reclassified as non-current in the comparative Company balance sheet at 31 December 2022 based on the contractual repayment terms.

17. Financial derivative asset

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Current				
Financial derivative asset	1,484	3,102	—	—
Non-current				
Financial derivative asset	1,562	870	—	—

The current and non-current financial derivative asset of £3,046,000 (2021: £3,972,000) is the fair value of a small proportion of the Group's overall forward gas and power purchase contracts. Such contracts do not meet the strict criteria of being for the Group's "own use" under IFRS 9. They are stated at their Mark to Market fair value (being the excess of the volume of commodity purchased valued at market prices available at the balance sheet date over the traded price of the forward contracts). The asset has decreased in the year largely due to the decrease in forward gas and power market prices and as previous lower priced trades delivered in 2022. The risks and sensitivities in relation to the asset are further detailed in note 20.

18. Cash and cash equivalents

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Cash at bank and in hand	18,970	7,049	13,488	501
	18,970	7,049	13,488	501

As disclosed in note 16, the cash and cash equivalents amounts exclude £569,000 of cash which is included in other receivables. £500,000 of this cash balance is held on deposit and secured under arrangements with the Group's bankers, with a further £69,000 having been transferred to the Group as part of Government led schemes which remains due to customers at the balance sheet date.

19. Trade and other payables

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Current				
Trade payables	4,636	3,690	—	—
Accrued expenses	55,281	34,545	64	99
Lease liabilities	112	107	—	—
Tax and social security	5,587	6,188	—	—
Other payables	8,244	5,213	—	36
Amounts due to subsidiary undertakings	—	—	9,097	300
	73,860	49,743	9,161	435
Non-current				
Accrued expenses	158	381	—	—
Lease liabilities	48	160	—	—
	206	541	—	—

20. Financial instruments and risk management

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

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

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

- commodity hedging and derivative instruments (related to customer demand and market price volatility, and counterparty credit risk);
- customer credit risk;
- liquidity risk; and
- foreign exchange risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

20. Financial instruments and risk management continued**(a) Commodity trading and derivative instruments**

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

Commodity and energy prices and customer demand

The Group uses commodity purchase contracts to manage its exposures to fluctuations in gas and electricity commodity prices. The Group's objective is to reduce risk in energy 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 and loss.

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

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

The fair value Mark to Market adjustment at 31 December 2022 for those contracts not assumed to be strictly for "own use" is a charge of £926,000 (2021: gain of £3,344,000). See note 17 for the corresponding derivative financial asset.

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

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

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

Open market price of forward contracts	Reasonably possible increase/decrease in variable	2022 Impact on profit and net assets £'000	2021 Impact on profit and net assets £'000
UK gas (p/therm)	+/-25%	831	793
UK power (£/MWh)	+/-25%	2,227	1,470
		3,058	2,263

In addition to the sensitivity noted above, the estimate of the forward derivative contracts assessed as "own use" results in the financial asset recognised. If the level of own use of such forward contracts was amended by +/-1%, then the financial asset and resulting impact on profit and net assets would be £466,000 (2021: £1,088,000). Such a sensitivity could occur if, for example, the Group's estimated forecasted demand from customer contracts was impacted by factors such as prolonged abnormal weather patterns, or further unexpected and severe Covid-19 lockdowns. In mitigation, however, demand balancing activities and trading will significantly reduce any potential gain or loss arising from the sensitivity noted above, and the Board approved hedging policy is designed to protect (to the extent possible) the gross margin as sold on each contract. Customer prices also include premia in their pricing to account for certain levels of market risk because of the above in order to reduce the potential for negative impact on Group profitability.

Liquidity risk from commodity trading

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

20. Financial instruments and risk management continued

(a) Commodity trading and derivative instruments continued

Liquidity risk from commodity trading continued

The structured trading arrangement, entered with SmartestEnergy in December 2019, has reduced this liquidity risk in view of the significant credit limit being provided. This arrangement provides the trading credit limit (secured on the main trading entities of the Group and subject to compliance with certain covenants) and as such reduces the need to lodge cash collateral when commodity markets decrease. As disclosed in note 1, the Board has considered the cash flow forecasts, along with the interaction in trading credit limits and the potential need for cash collateral or letter of credit support. The Board also monitors the position in respect of commodity markets and has mitigation plans in place where credit limits are predicted to be exceeded to reduce, where possible, the potential impact on the Group due to short-term cash calls. Where markets fall rapidly and unexpectedly, the cash collateral requirement may be greater than the Group's cash reserves. In extreme circumstances, mitigation may include (prior to security being enacted) reducing the Group's hedged position (reducing liquidity risk in exchange for increased risk to future market increases) through to commercial discussion to waive the requirement to post cash collateral over a short to medium-term period; or the agreement to provide additional remedial action such as holding growth activities.

Trading counterparty credit risk

In mirror opposite to the liquidity risk noted above, the Group carries credit risk to trading counterparties where market prices are above the average weighted price contracted forward. In view of the lower energy commodity markets experienced at the end of 2022, this credit risk has reduced to approximately £47m as at 31 December 2022, and has decreased in early 2023 as global market prices have softened. This credit exposure is predominantly with the Group's main trading counterparty.

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

(b) Customer or other counterparty credit risk

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

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

Credit risk is also managed through the Group's standard business terms, which require all customers to make a monthly payment predominantly by direct debit, and required security deposits in advance where appropriate. At 31 December 2022 there were no significant concentrations of credit risk. The carrying amount of the financial assets (less the element of VAT and climate change levy ("CCL") included in the invoiced balance, which is recoverable in the event of non-payment by the customer) represents the maximum credit exposure at any point in time.

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

At 31 December 2022 the Group held a provision against doubtful debts and expected credit loss of £21,329,000 (2021: £7,488,000). This is a combined provision against both trade receivables at £19,499,000 (2021: £6,007,000) and accrued income at £1,830,000 (2021: £1,481,000). The increase reflects an increased business activity and a higher value of Non-Firm revenue due to increased market prices.

In relation to trade receivables, after provision and accounting for VAT and CCL reclaimable, the exposure assessed by directors is less than 5% of the gross balance. If this exposure was +/-1% of that assessed, the gain or loss arising recognised in the income statement and impacting net assets would be +/-£316,000.

If the expected customer credit loss rate on accrued income was +/-10%, the gain or loss arising would be +/-£183,000.

(c) Liquidity risk

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

The Board also monitors the position in respect of the Group's performance against covenants as part of its trading arrangements, to ensure credit limits as part of such transactions are monitored, and any credit cover requirements for other industry participants which are standard in the energy sector. Scenarios of falling commodity markets, including potential to mitigate to avoid significant-margin calls for cash collateral, are also considered by the Board.

In a very low probability scenario where long-term commodity prices along the curve hedged by the Group decrease (from forward prices at 1 February 2023) by 25% for the Summer of 2023 and 50% thereafter, the Group could fully utilise its credit line and require collateral of up to £22m unless this is otherwise mitigated by actions from management. The Board believes such a scenario to be a low probability, though monitors the position regularly to ensure appropriate mitigating actions are instigated where appropriate. Such mitigating actions would include, in certain market conditions, the need to temporarily extend credit lines with trading counterparties, or to unwind some of the forward hedged position to prevent this credit exposure arising to a level which could not be met the Group's cash reserves.

Any excess cash balances are held in short-term deposit accounts which are either interest or non-interest accounts. At 31 December 2022 the Group had £18,970,000 (2021: £7,049,000) of cash and bank balances (as per note 18).

(d) Foreign currency risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

21. Share capital and reserves

Share capital	2022 Number	2022 £'000	2021 Number	2021 £'000
Allotted and fully paid ordinary shares of £0.005 each	16,649,618	83	16,316,215	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.

The Group and Company-only movement in reserves is as per the statement of changes in equity as detailed on page 79 and 80.

Share capital represents the value of all called up, allotted and fully paid shares of the Company. The movement in the year relates to the exercise of various share options, at exercise prices of between £0.005 and £1.40.

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

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

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

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

Date of grant	Expected term	Exercisable between		Exercise price	Vesting schedule	Amount outstanding at 31 December 2022	Amount outstanding at 31 December 2021
		Commencement	Lapse				
17 February 2016	3	17 February 2019	17 February 2026	£0.09	1	13,500	27,000
22 December 2016	3	22 December 2019	22 December 2026	£3.25	1	13,500	13,500
6 April 2017	3	6 April 2020	6 April 2027	£0.005	1	43,950	43,950
6 April 2017	6.5	6 April 2020	6 April 2027	£2.844	1	87,900	87,900
28 September 2017	6.5	28 September 2020	28 September 2027	£5.825	1	40,500	40,500
9 April 2018	6.5	9 April 2021	9 April 2028	£10.38	1	59,084	59,084
26 September 2018	6.5	26 September 2021	26 September 2028	£8.665	1	6,539	6,539
25 February 2019	6.5	25 February 2022	25 February 2029	£1.09	1	20,000	48,497
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	—	62,483
4 October 2020	3	30 April 2023	4 October 2030	£0.005	3	210,696	210,696
4 October 2020	3	30 April 2024	4 October 2030	£0.005	3	172,388	172,388
1 June 2021	3	30 April 2024	4 October 2030	£0.005	3	—	76,616
13 May 2022	1	30 April 2023	4 October 2030	£0.005	3	12,769	—
13 May 2022	2	30 April 2024	4 October 2030	£0.005	3	25,539	—
1 December 2022	3	1 January 2026	4 October 2030	£0.005	2	179,267	—
19 December 2022	3.3	30 April 2024	4 October 2030	£0.005	4	837,000	—
						1,722,632	1,099,153
Weighted average remaining contractual life of options outstanding at 31 December 2022						8.0 years	7.1 years

The following vesting schedules apply to the options:

- 100% of options vest on the third anniversary of date of grant.
- 100% of options vest on the third anniversary of the Save As You Earn ("SAYE") savings contract start date.
- The level of vesting is dependent on a performance condition, being the Group's share price at pre-determined dates.
- The level of vesting is dependent on a performance condition, being the Group's EBITDA performance (or for 75,000 outstanding options, asset installation targets) over a qualifying period.

The share price at the date of grant of options during 2022 was £2.08 at 13 May 2022, £3.93 at 1 December 2022 and £4.18 at 19 December 2022.

22. Share based payments continued

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

	2022 shares	2021 shares
Balance at the start of the period	1,099,153	1,290,699
Granted	1,055,364	76,616
Forfeited	(98,482)	(233,002)
Lapsed	—	—
Exercised	(333,403)	(35,160)
Balance at the end of the period	1,722,632	1,099,153
Vested at the end of the period	284,973	278,473
Exercisable at the end of the period	284,973	278,473
Weighted average exercise price for:		
Options granted in the period	£0.393	£0.005
Options forfeited in the period	£0.256	£1.880
Options exercised in the period	£0.289	£0.005
Exercise price in the range:		
From	£0.005	£0.005
To	£10.38	£10.38

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:

	2022	2021
Dividend yield	0%	0%
Risk-free rate	2.1%	1.5%
Share price volatility	117%	115%
Expected life (years)	3 years	3 years
Weighted average fair value of options granted during the period	£3.87	£2.30

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

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

	2022 £'000	2021 £'000
Equity-settled share based payment expense	210	237
Cash-settled share based payment expense	74	12
Total share based payment charge	284	249

Cash-settled share based payment expense relates to employer's National Insurance payable on the exercise of unapproved (for tax purposes) share options.

23. Commitments

Capital commitments

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

The Group and Company have no other capital commitments at 31 December 2022 (2021: £nil).

Security

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Contingent liabilities

The Group had no contingent liabilities at 31 December 2022 (2021: £nil).

24. Related parties and related party transactions

The Group has transacted with CPK Investments Limited (an entity owned by Bobby Kalar). CPK Investments Limited owns one of the properties from which the Group operates via a lease to Yü Energy Retail Limited. During 2022 the Group paid £120,000 in lease rental and service charges to CPK Investments Limited (2021: £130,000). There was no amount owing to CPK Investments Limited at 31 December 2022 (2021: £nil).

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

25. Net cash/(net debt) reconciliation

The net cash/(net debt) and movement in the year were as follows:

	2022 £'000	2021 £'000
Cash and cash equivalents	18,970	7,049
Lease liabilities	(160)	(267)
Borrowings	—	—
Net cash	18,810	6,782

	Borrowings £'000	Leases £'000	Cash £'000	Total £'000
Net cash/(net debt) as at 1 January 2021	—	(368)	11,740	11,372
Cash flows	—	120	(4,691)	(4,571)
Interest and other changes	—	(19)	—	(19)
Net cash/(net debt) as at 31 December 2021	—	(267)	7,049	6,782
Cash flows	—	121	11,921	12,042
Interest and other changes	—	(14)	—	(14)
Net cash/(net debt) as at 31 December 2022	—	(160)	18,970	18,810

26. Business combinations

On 9 May 2022 the Group acquired (from administration) certain assets of Magnum Utilities Limited, including the management team of the business. The acquisition provided the foundation to create Yü Smart, being new Group capability to install, service and maintain smart meters and EV charging assets.

The values identified in relation to the acquisition are final at 31 December 2022. The fair values of the identifiable assets acquired and recognised at the date of acquisition were £224,000 comprising IT and office equipment of £8,000 and goodwill of £216,000. The goodwill is attributable to the management team, operational and industry knowledge and policies and processes of the acquired business.

Total consideration and other costs of £224,000 were paid at or closely after completion. No further consideration is payable. The new business contributed no revenue and total operating costs of £1,100,000 during the year, expensed to operating costs in the income statement.

No business combinations or acquisitions took place in 2021.

27. Subsidiary audit exemption

Yu Water Limited (company number 09918643), Yü-Smart Limited (12311416) and Kensington Meter Assets Limited (14306708) are exempt from the requirements of an audit, for the year ended 31 December 2022, under section 479A of the Companies Act 2006.

28. Post-balance sheet events

There are no significant post-balance sheet events.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the 2023 annual general meeting of Yü Group PLC ("the Company") will be held at Teneo, Second Floor, 85 Fleet Street, London, EC4Y 1AE on 18 May 2023 at 10:30am 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 2022.
2. To declare a final dividend for the year ended 31 December 2022 on the issued ordinary shares of £0.005 each in the capital of the Company at the rate of 3.0p per ordinary share to be paid on 20 June 2023 to the shareholders whose names appear on the register of members of the Company as at the close of business on 2 June 2023.
3. To re-elect John Glasgow, who retires by rotation as a director of the Company pursuant to Article 94 of the Company's Articles of Association.
4. To re-elect Bobby Kalar, who retires by rotation as a director of the Company pursuant to Article 94 of the Company's Articles of Association.
5. To re-elect Tony Perkins, who retires by rotation as a director of the Company pursuant to Article 94 of the Company's Articles of Association.
6. To reappoint RSM UK Audit LLP as the auditor of the Company.
7. To authorise the Audit Committee to determine the remuneration of the auditor.
8. 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 £27,771.86, 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 18 August 2024 (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:

9. That, subject to the passing of resolution 8 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 8 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:
 - 9.1 in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):
 - 9.1.1 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
 - 9.1.2 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

- 9.2 otherwise than pursuant to paragraph 9.1 of this resolution, up to an aggregate nominal amount of £8,331.56,

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 18 August 2024 (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).

10. 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:

- 10.1 the maximum aggregate number of ordinary shares which may be purchased is 1,666,311;

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

- 10.3 the maximum price (excluding expenses) which may be paid for an ordinary share is an amount equal to 105% 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 18 August 2024 (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
Company Secretary
14 March 2023

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

Registered in England and Wales no. 10004236

NOTICE OF ANNUAL GENERAL MEETING continued**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 16 May 2023 (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.

Proxies

2. A shareholder is 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. The appointment of a proxy will not preclude a shareholder from attending and voting in person at the meeting.
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 10.30am on 16 May 2023 (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 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.

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 58 and 59 of the enclosed annual report and accounts.

COMPANY INFORMATION

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Paul Rawson

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ir@yugroupplc.com

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Nominated adviser

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25 Ropemaker Street
London EC27 9LY

Corporate broker

SP Angel Corporate Finance LLP

Liberum Capital Limited

Ropemaker Place
25 Ropemaker Street
London EC27 9LY

Auditor and reporting accountant

RSM UK Audit LLP

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Solicitors to the Company

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Registrars

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Yü Group PLC's commitment to environmental issues is reflected in this annual report, which has been printed on Symbol Freelifa Satin, an FSC® certified material. This document was printed by L&S using its environmental print technology, which minimises the impact of printing on the environment, with 99% of dry waste diverted from landfill. Both the printer and the paper mill are registered to ISO 14001.



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