2020 INTERIM RESULTS

Results for the six months to 30 June 2020

GROUP PLC

Yü Group PLC
(the "Group")

Results for the six months to 30 June 2020

STRONG UNDERLYING PERFORMANCE AND FOUNDATION LAID FOR SUSTAINABLE LONG-TERM GROWTH

Yü Group PLC (AIM; YU.), the independent supplier of gas, electricity and water to the UK corporate sector, announces its unaudited half year results for the six months to 30 June 2020.

Bobby Kalar, Group Chief Executive Officer, said:

*"T*he first half of the trading year has been highly unusual and somewhat extraordinary. The modelled impact of COVID-19 on our customers indicated significant headwinds from sustained reductions in expected volumes, a material increase in the inability to pay bills and a slow-down in new business being booked. While no one could have predicted with any certainty how deep or how long the effects of COVID-19 would be, I am very pleased with how well the business has performed in such a challenging macro environment. Customer energy usage volume has continued to trend upwards and August consumption was up to around 90% of pre-COVID levels, cash collection has broadly been equal or better than billed monthly revenue month on month and new business continues to grow at greater rate than H1 2019. I'm particularly pleased that our customer journey from 'prospect' through to 'cash' is performing well. The 'hard yards' of the last two years are really bearing fruit.

Whilst there is little room for complacency, we must draw comfort from the fact that the rebuilding of Yü Group over the last two years has been a significant contributing factor in enabling the business to withstand and outperform expectations in the period. Our reset is behind us and the business is now moving to its key scaling phase as legacy low margin contracts have virtually 'washed through' the book and been replaced by good quality, better margin contracts. Most notably the first two months of Q3 bookings have been the strongest to date.

Strategically rebalancing our book over the last 18 months has meant an expected reduction in meter points, but with a strong forward order book we now expect run rate meter point growth to accelerate to circa 17,000 by FY 2020 and for that positive momentum to continue in to FY 2021 and beyond.

The recent purchase of Bristol Energy's B2B book and the seamless customer integration on to our scalable operating platform was '*text book*' and is testament to the organisation's strong capability and appetite. The acquisition has seen a circa 40% meter point increase with no notable additional cost to serve burden, has added significant value across the business and has been immediately cash generative. This has provided a proven template and I look forward to repeating this exercise shortly.

The dedication and principled discipline of my team is commendable, and I thank them for their continued support when responding to the situation.

Whilst the Board is very aware of the macroeconomic uncertainty stemming from the pandemic, we are also aware of our responsibilities to all stakeholders who look forward to the business realising its full growth potential, and as such I very much look forward to updating the market in due course."

Financial Highlights

	Six months to 30 June 2020	2019
FINANCIAL: £'000 unless stated		
Revenue	45,873	56,561
Adjusted EBITDA [1]	(1,846)	(2,674)
Loss for the period	(1,711)	(2,716)
Operating cash inflow	16,476	3,177
Cash	17,886	17,421
Loss per share:		
Adjusted	(10)p	(15)p
Statutory	(11)p	(17)p

[1] Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, and also before non-recurring items, share based payments and unrealised gains or losses on derivative contracts.

- Revenue of £45.9m (£56.6m in H1 2019) as a result of COVID-19 during initial lockdown and following a controlled deceleration during the reset period of early 2019.
- Strong average monthly bookings being achieved of £6.2m (£3.2m in H1 2019) at higher margins.
- Adjusted EBITDA impacted by COVID-19 but otherwise performing well and continuing improving trend.
- Net cash of £17.9m at 30 June 2020, underpinned by the Group's trading agreement and reduced requirements to post cash collateral to support the Group's forward energy contracts.
- Positive billing to cash conversion at 99.5%.
- Net Customer Contribution of 2.2% (1.4% in H1 2019) increased as legacy contracts expire, despite material impact of COVID-19.

Operational Highlights

- Board took swift and decisive action to control the impact of COVID-19 including resetting hedging policies to mitigate the risk of a second hard lockdown, utilisation of government schemes and reducing some discretionary overhead spend.
- Maintained high-quality customer service, with a consistent 4.5-star Trustpilot score.
- Continued investment in digital solutions and automation to improve customer journey and drive efficiencies, including new sales portal access for partners to accelerate growth, and new Smart Meter programme.
- Successful acquisition and post-acquisition integration of Bristol Energy Limited's ("Bristol Energy") B2B customer book which is already net cash positive and earnings accretive, providing a proven template and methodology for future opportunities.
- Updated processes well embedded with new Board, advisors and further strengthened management team.

Current Trading and Outlook

- Marked increase in customer demand since period end with August customer demand recovering, and now at c. 90% of pre COVID-19 levels.
- Contracted revenue for FY 2021 at 31 August 2020, already at an estimated £71.7m.
- Strong monthly bookings in July and August with significant acceleration anticipated during H2 2020.
- Net Customer Contribution is expected to improve leading to a lower EBITDA loss in H2 2020, driven by the recovery from the initial demand shock caused by COVID-19, legacy low margin contracts expiring, and with the Bristol Energy acquisition already earnings accretive.
- Bristol Energy expected to contribute revenue of c. £10m across the 16 months ended 31 December 2021, at mid-single digit margin. Contracts are expected to contribute beyond 2021 at c. £4.5m revenue.

- Strategy on track to deliver sustainable, long-term profitable growth. Expected return to revenue growth (vs. 2019) in FY 2021 with adjusted EBITDA tracking towards break-even despite continued investment in sales and marketing.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014.

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Analyst presentation

A presentation for analysts and investors will be held at 10:00am today, Wednesday 30 September 2020. For details please contact Yugroup@tulchangroup.com.

Notes to Editors

Information on the Group

Yü Group PLC, trading as Yü Energy, is an independent supplier of gas, electricity and water focused on servicing the corporate sector throughout the UK. It has no involvement in the domestic retail market. The Group was listed on the AIM market of the London Stock Exchange in March 2016. For 2019 the Group had revenue of c. £112m.

Chief Executive Officer's Statement

The Board is pleased to report its progress during the six months to 30 June 2020 which show encouraging underlying performance despite the impact of COVID-19.

Business Review

The strengthened Board and management team continue to implement the Group's strategic priorities: to focus on sustainable growth (organic and via selective M&A); ensuring a clear focus on profitable customer contracts and by leveraging overheads; generating cashflow to invest in growth; and maintaining the solid business foundations developed on which to scale the Group.

The Group's average monthly bookings (being the annualised revenue booked on new contracts) significantly increased in H1 2020 to £6.2m (a 94% increase on H1 2019 bookings of £3.2m). The Board is pleased to see this growth in bookings which has been achieved via a new sales strategy deployed across multiple sales channels which includes new digital 'easy access' portals to efficiently meet market demand. As a consequence of the work already performed, and the fact that monthly bookings in July and August performed very strongly, the Board anticipates H2 2020 average monthly bookings to be significantly above the £6.2m achieved in H1 2020.

With the significant increase in bookings, the Group has continued to prioritise contracts which will provide suitable contract lifecycle value, leading to increased net customer contribution and, therefore, improved EBITDA. Work to optimise net customer contribution is generating results from various initiatives across the customer lifecycle journey, from gross margin required at point of sale to cross-sell, and via improved credit control processes.

In addition to strong organic growth performance and improving profitability, the Group acquired the B2B customer book of Bristol Energy during August 2020. The acquisition provided a complementary contract book with an additional 4,000 meter points, and a robust customer base, which was, within a matter of days, successfully migrated onto the Group's scalable platform.

The Group, at 31 August 2020, estimates the revenue achievable from its forward contract book to impact FY 2021 to be £71.7m, though continues to monitor any material impact on customer demand from COVID-19. This level of revenue provides a solid base, to be increased as new bookings are added monthly, on which to expect increased revenues during 2021. This estimate assumes energy consumption remains broadly at current levels.

The Group's strategy is to drive sustainable profitable organic growth, layered with value enhancing M&A where there is a clear strategic fit, in order to increase market share whilst limiting incremental overhead cost.

Operational Review

The Group has relaunched its sales strategy which is delivering significant results. The initial mission of the Group, which remains today, revolved around providing great service to customers – which is often over-looked by energy suppliers. We strive to provide easy, simple, services, to provide Yütility Simplicity.

In H1 2020 we have launched new products, such as the agile and assist plans to give customers greater flexibility through COVID-19. The Group has also launched new customer acquisition portals, facilitating easier access to our energy plans whilst reducing the costs we incur to acquire customers.

Whilst large incumbents struggle with transformation, our nimble, efficient and robust system allows the Group to quickly add new initiatives to take advantage of market opportunities.

We continue to refine and develop existing systems, including the use of RPA (Robotic Process Automation). As part of the continued focus on reducing overheads as the Group scales, RPA is being installed across various processes to continually improve business efficiency whilst also further improving customer service levels.

The Group is deploying SMETS2 smart meters, which the Directors expect to cover a large part of the Group's revenue in the medium term and unlock new market opportunities. Such meters generate significant benefits to customers, who can gain greater insight on their energy usage to be able to manage cost and carbon impacts more closely. SMETS2 meters also have the potential to unlock significant opportunities for the Group, including reducing costs to bill, providing energy trading value opportunities, and wider customer lifecycle enhancements including a much closer management of bad debt.

The Board is pleased to report that the robust systems and processes implemented are now firmly established and operating well, as evidenced by the successful integration of the Bristol Energy customer book.

Throughout the pandemic our team have worked safely and productively whilst continuing to meet customer demand - maintaining the 4.5 star Trustpilot score – a leader in the B2B energy supply sector.

The new strengthened corporate governance structures deployed at Board and at executive committee level are providing the appropriate leadership across multiple disciplines, creating the foundation to aggressively challenge and disrupt a £35billion addressable market. This reinvigorated approach follows the work performed in 2018 and 2019, and the Board is pleased to report the finalisation of the AIM investigation which enables clear focus on the future.

COVID-19

The swift and professional response of our teams in deploying our business continuity plan has allowed the business to continue to operate efficiently and productively throughout the pandemic.

The Board and wider management team has also worked hard to ensure the health and wellbeing of staff and partners which has been prioritised during this difficult time, respecting Government guidelines as measures change.

Our customer service team has provided updates and support to our small business customers, to sign-post support available and to make them aware of initiatives which can support them during the economic uncertainty.

The Board has also closely monitored its cashflow and its risks to a significant economic downturn and taken steps to review hedging risk policies and customer demand forecasts.

The financial risks associated with COVID-19 remain as reported in the FY 2019 annual report, and are as further described in notes 1 and 10 to the interim financial statements. Broadly, these risks arise from potential falls in customer demand, an increase in certain industry costs, and the wider economic uncertainty and its resulting impact on bad debt. Ultimately these impacts are, by nature, difficult to predict with a great level of certainty and can create a material variability in the Group's EBITDA achievable from its customer contracts.

Customer demand for electricity and gas was impacted in April 2020 with a sharp shock during the lockdown period, via a c35% instant drop in customer demand. This unexpected immediate fall across the portfolio resulted in lower revenues. More materially, however, the event also resulted in the Group needing to sell back excess energy purchased, at a lower price in view of the market dynamics at that time, resulting in a mark to market loss. This demand shock has since largely recovered and is becoming more foreseeable and manageable across the portfolio, meaning the Group can mitigate much of this risk for the future.

Certain other 'non-commodity' costs also increased during H1 2020 as a result of the mechanisms by which grid operators and generators pass through costs. Some of these costs may be passed through to end customers thereby potentially reducing their impact.

Finally, the wider economic context is anticipated to have some impact on expected credit losses and bad debt over the medium term, although the Board are pleased to report that cash collected to 31 August 2020 is close to 100% of the value of invoices raised.

The estimated adverse impact on H1 2020 Adjusted EBITDA as a consequence of all of the above is £1.6m.

In mitigating part of the impact of COVID-19, the Group furloughed a small number of roles at the beginning of the lockdown period in order to address the potential likely impact of the pandemic. The ability to defer c. £4m of HMRC VAT and PAYE payments was also taken.

The enhanced government measures to reduce the spread of COVID-19 announced in September 2020 may reduce customer demand during Q4 2020 and Q1 2021, though the Group anticipates its exposure to mark to market losses to be significantly reduced due to its revised hedging policy and the fact that the market appears to be now factoring in some elements of COVID-19 risk.

The risks and material uncertainties related to COVID-19 will continue to be closely monitored by the Board, and revised actions taken wherever possible to reduce the impact on the Group. However, the Board believes that the measures already put in place to date will serve to mitigate the adverse effects on results for H2 2020 and beyond. In short, the Group is well positioned to weather the storm and the Board has confidence in an eventual return to profitability.

Bristol Energy acquisition

The acquisition of the B2B customer book and associated customer receivables of Bristol Energy occurred in August 2020 and is therefore not consolidated in the interim accounts to 30 June 2020.

The initial consideration of £1.2m has been reduced to £0.8m during August due to a contractual adjustment mechanism designed to reflect post-acquisition movements in the forward commodity market. A further consideration amount of £0.6m is payable in August 2021, and a reconciliation of certain debtor balances acquired is due in Q4 2020.

The £0.8m cash outflow, being the acquisition consideration to date, includes c. £1.1m of customer receivables at book value. The majority of these have been received in August and early September. As a result, the acquisition is already cash positive.

The contracts acquired were seamlessly migrated during August and the resultant customers are now being serviced on the Group's proven systems. The Group acquired a small team of industry specialists as part of the acquisition who also filled vacancies in existing roles. This implementation (adding significant numbers of additional contracts for limited incremental overhead) is further evidence of the Group's ability to unlock scale benefits (organically or via M&A).

The Board anticipates a contribution to revenue of approximately £10m across the 16 months ended 31 December 2021, at mid-single digit percentage of revenue converted to margin.

Financial Review

Revenues in H1 2020 were £45.9m, a reduction compared with £56.6m reported in H1 2019. This reflects the deliberately slowed bookings during FY 2019 as the Group reset its sales strategy. In addition, a c. £8.0m impact on H1 2020 revenue has occurred due to the reduction in customer demand for energy due to the COVID-19 lockdown, which was particularly evident during April and May 2020.

Revenues for July and August have increased significantly with demand closer (at approximately 90%) to pre COVID-19 levels, and due to an improved bookings performance.

Net Customer Contribution, being gross margin less bad debt charge, is maintaining a positive trend at 2.2% of revenue for H1 2020 (H1 2019: 1.4%). Gross margin initiatives (to enhance customer lifecycle value), and improvements to the credit control cycle (to reduce bad debt), are driving this improvement, together with the expiry of low margin legacy contracts (which will mainly time expire by the end of FY 2020). These positive drivers are contributing to a continued and material improvement to Net Customer Contribution.

Nonetheless, the COVID-19 impact for H1 2020 is estimated at £1.6m and reduces the reported position. On an estimated normalised (pre COVID-19) basis, therefore, the Net Customer Contribution for H1 2020 increases from 2.2% to approximately 4.9%. As this normalised position is diluted due to the expiring (in 2020) low margin contracts, and also before factoring in the benefit from the Bristol Energy acquisition, management are confident in continuing an upward trend in this key profitability measure.

General overheads of 6.3% of revenue is broadly aligned to FY 2019 despite the reduction in revenues. The Board continues to invest in sales and marketing to drive growth, which is already sized to meet the Group's ambitious organic growth plan and represents around a third of the overhead spend. The remaining overheads are split between cost to serve (which the Board looks to reduce as a proportion of revenues as the Group scales) and general administrative costs which tend to be largely fixed in nature.

Reducing the percentage of revenue ratio to general overheads remains a key priority of the Board. Automation is viewed as a key driver in the achievement of efficiencies, enabling the Group to scale whilst increasing profitability, and enabling continued investment in growth.

Adjusted EBITDA loss of £1.8m is a continued improvement when compared with the prior period (£2.7m for H1 2019 and £2.2m for H2 2019). This improvement is despite the estimated £1.6m one-off impact of COVID-19 on the Group's performance as noted above.

The net loss on a statutory basis for H1 2020 of £1.7m further demonstrates the improving underlying performance of the Group despite the impact of COVID-19 (H1 2019: £2.7m; FY 2019: £5.0m).

The Group held £17.9m of cash, with no debt, at 30 June 2020 (£17.4m at 30 June 2019; £2.4m at 31 December 2019). Operating cash has performed well, with an inflow of £16.5m for the period (H1 2019: £3.2m), good cash conversion on customer receivables, the benefit of new trading facilities and some deferral of HMRC payments as part of COVID-19 relief schemes.

In line with the normal operating cycles the Group has settled industry payments during August 2020 and remains debt free despite the investment to acquire the Bristol Energy B2B book. The Group held cash of £5.6m at 31 August 2020, and continued to have no debt, despite these large outflows being paid during August.

Current trading and outlook

Monthly bookings for H2 2020 are expected to be significantly ahead of H1 2020 and continue at a high level under the Group's new sales strategy.

Revenues for H2 2020 are expected to be above the £45.9m reported for H1 2020. This increase is expected to be driven by a recovery in customer demand following the initial COVID-19 lockdown, the acquisition of Bristol Energy which started to contribute to Group revenues from August, and the increased organic growth levels reflected in the increased monthly bookings.

Whilst revenues for FY 2020 are anticipated to be below those of FY 2019, the Board anticipate continuing and accelerating growth in 2021 and beyond as market share is gained.

Net Customer Contribution is expected to improve from the 2.2% in H1 2020 (4.9% on a normalised basis) as the one-off impacts of COVID-19 fade and the acquired Bristol Energy contracts contribute to earnings. This upward trend is expected to continue in 2021, as the benefit from the expiry of legacy low margin contracts being replaced with higher margin contracts booked during 2019 and 2020 takes effect.

Adjusted EBITDA is expected to be higher for H2 2020 due to the improved net customer contribution and continued control of overheads.

For 2021, the Board targets Adjusted EBITDA returning to break-even despite continued significant investment in the Group's sales function. In the near to medium term, investment in our sales processes should flow directly through to profit as the Group leverages its existing controlled overheads and reaps the benefits of scaling up.

Operating cashflow is expected to be positive for FY 2020, with cash at 31 December 2020 forecast to be significantly above the 31 December 2019 balance of £2.4m. In line with normal cycles, the operating cashflow for FY 2020 is anticipated to be lower than the £16.4m reported for H1 2020 with industry payments due in H2 2020 being already settled.

Condensed consolidated statement of profit and loss and other comprehensive income

For the six months ended 30 June 2020

	6 months ended 30 June 2020 (Unaudited) £'000	6 months ended 30 June 2019 (Unaudited) £'000	12 months ended 31 December 2019 (Audited) £'000
Revenue	**45,873**	56,561	111,613
Cost of sales	**(43,246)**	(54,775)	(106,128)
Gross profit	**2,627**	1,786	5,485
Operating costs before non-recurring items, unrealised gains on derivative contracts and IFRS 2 charges	**(4,660)**	(4,657)	(10,362)
Operating costs – non-recurring items	**-**	(67)	(378)
Operating costs – unrealised gains/(losses) on derivative contracts	**137**	(367)	(518)
Operating costs – IFRS 2 charges	**(166)**	57	(125)
Total operating costs	**(4,689)**	(5,034)	(11,383)
Loss from operations	**(2,062)**	(3,248)	(5,898)
Finance income	**7**	19	33
Finance costs	**(31)**	(27)	(112)
Loss before tax	**(2,086)**	(3,256)	(5,977)
Taxation	**375**	540	1,009
Loss for the period	**(1,711)**	(2,716)	(4,968)
Other comprehensive income	**-**	-	-
Total comprehensive income for the period	**(1,711)**	(2,716)	(4,968)
Earnings per share			
Basic	**£(0.11)**	£(0.17)	£(0.31)
Diluted	**-**	-	-

Condensed consolidated balance sheet

At 30 June 2020

	30 June 2020 (Unaudited) £'000	**30 June 2019 (Unaudited) £'000**	31 December 2019 (Audited) £'000
ASSETS			
Non-current assets			
Property, plant and equipment	**1,429**	364	671
Right-of-use asset	**415**	562	481
Intangible assets	**51**	53	52
Deferred tax	**4,730**	3,866	4,355
	6,625	4,845	5,559
Current assets			
Trade and other receivables	**10,985**	16,139	25,886
Cash and cash equivalents	**17,886**	17,421	2,377
	28,871	33,560	28,263
Total assets	**35,496**	38,405	33,822
LIABILITIES			
Current liabilities			
Trade and other payables	**(31,369)**	(30,593)	(28,076)
Non-current liabilities	**(374)**	(466)	(448)
Total liabilities	**(31,743)**	(31,059)	(28,524)
Net assets	**3,753**	7,346	5,298
EQUITY			
Share capital	**82**	81	82
Share premium	**11,690**	11,690	11,690
Merger reserve	**(50)**	(50)	(50)
Retained earnings	**(7,969)**	(4,375)	(6,424)
	3,753	7,346	5,298

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2020

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2020	82	11,690	(50)	(6,424)	5,298
Total comprehensive income for the period					
Loss for the period	-	-	-	(1,711)	(1,711)
Other comprehensive income	-	-	-	-	-
	-	-	-	(1,711)	(1,711)
Transactions with owners of the Company					
Contributions and distributions					
Equity-settled share based payments	-	-	-	166	166
Deferred tax on share based payments	-	-	-	-	-
Proceeds from share issues	-	-	-	-	-
Equity dividend paid in the year	-	-	-	-	-
Total transactions with owners of the Company	-	-	-	166	166
Balance at 30 June 2020	**82**	**11,690**	**(50)**	**(7,969)**	**3,753**
Balance at 1 January 2019	81	11,689	(50)	(1,282)	10,438
Adjustment following adoption of IFRS 16	-	-	-	(125)	(125)
Adjusted balance at 1 January 2019	81	11,689	(50)	(1,407)	10,313
Total comprehensive income for the period					
Loss for the period	-	-	-	(2,716)	(2,716)
Other comprehensive income	-	-	-	-	-
	-	-	-	(2,716)	(2,716)
Transactions with owners of the Company					
Contributions and distributions					
Equity-settled share based payments	-	-	-	(57)	(57)
Deferred tax on share based payments	-	-	-	-	-
Proceeds from share issues	-	1	-	-	1
Equity dividend paid in the year	-	-	-	(195)	(195)
Total transactions with owners of the Company	-	1	-	(252)	(251)
Balance at 30 June 2019	81	11,690	(50)	(4,375)	7,346

Condensed consolidated statement of cash flows

For the six months ended 30 June 2020

	6 months ended 30 June 2020 (Unaudited)	6 months ended 30 June 2019 (Unaudited)	12 months ended 31 December 2019 (Audited)
	£'000	£'000	£'000
Cash flows from operating activities			
Loss for the financial period	**(1,711)**	(2,716)	(4,968)
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets	**186**	196	397
Amortisation of intangible assets	**1**	1	2
Finance income	**(7)**	(19)	(33)
Finance costs	**31**	27	112
Taxation	**(375)**	(540)	(1,009)
Share based payment charge	**166**	(57)	125
Decrease/(increase) in cash collateral deposits lodged with trading counterparties	**9,358**	-	(10,408)
Decrease/(increase) in trade and other receivables	**5,543**	(2,570)	(1,909)
Increase in trade and other creditors	**3,284**	8,855	6,411
Net cash from/(used in) operating activities	**16,476**	3,177	(11,280)
Cash flows from investing activities			
Purchase of property, plant and equipment	**(878)**	(105)	(565)
Net interest	**(24)**	(9)	(79)
Net cash used in investing activities	**(902)**	(114)	(644)
Cash flows from financing activities			
Net proceeds from share placing and option exercises	**-**	1	2
Dividend paid during the year	**-**	(195)	(195)
Repayment of borrowings and lease liabilities	**(65)**	(60)	(118)
Net cash used in financing activities	**(65)**	(254)	(311)
Net increase/(decrease) in cash and cash equivalents	**15,509**	2,809	(12,235)
Cash and cash equivalents at the start of the period	**2,377**	14,612	14,612
Cash and cash equivalents at the end of the period	**17,886**	17,421	2,377

Notes to the condensed consolidated half yearly financial statements

1. Reporting entity

Yü Group PLC (the "Company") is a public limited company incorporated and domiciled in the United Kingdom. The Company's ordinary shares are traded on AIM. These condensed consolidated half yearly financial statements ("Half yearly financial statements") as at and for the six months ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the supply of electricity, gas and water to SMEs and larger corporates in the UK.

Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with the presentation, recognition and measurement requirements of applicable International Financial Reporting Standards adopted by the European Union ('IFRS') except that the Group has not applied IAS 34, Interim Financial Reporting, which is not mandatory for UK Companies listed on AIM, in the preparation of the condensed consolidated interim financial information.

The unaudited condensed consolidated interim financial report for the six months ended 30 June 2020 does not include all of the information required for full annual financial statements, and does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. This report should therefore be read in conjunction with the Group financial statements for the year ended 31 December 2019, which is available on the Group's investor website. The comparative figures for the year ended 31 December 2019 have been audited. The comparative figures for the half year ended 30 June 2019 are unaudited.

The accounting policies adopted in these condensed consolidated half yearly financial statements are consistent with the policies applied in the 2019 group financial statements.

The condensed consolidated financial information is presented in British pounds sterling (£) and all values are rounded to the nearest thousand (£000) except where otherwise indicated.

Going concern

At 30 June 2020 the Group had net assets of £3.8m (31 December 2019: net assets of £5.3m). Management prepares detailed budgets and forecasts of financial performance and cash flow over the coming 12 to 36 months. The Group has confidence in achieving such targets and forecasts in a normal and reasonably stretched business environment.

The Group's hedging strategy and cash collateral requirements for its trading arrangements are principal considerations of the Board when assessing the Group's ability to continue as a going concern. The structured (including security over the Group's main operating assets) trading arrangement was entered in to with SmartestEnergy in late 2019 and has materially reduced risk of downside volatility in the Group's cashflow and has played a significant part in the Group generating an operational cash inflow in H1 2020 of £16.4m. This arrangement has various covenants which, were they not to be met, could trigger a reduced level of credit line being made available to the Group increasing short term liquidity risk in certain market conditions. COVID-19 impacts have increased the likelihood of such credit line reductions being triggered, although management's base case assumes sufficient coverage to avoid such an event.

The Board also monitors the Group's working capital requirement and cashflow, which is typically cash generative throughout the majority of the year. In August of each year, however, a significant energy industry payment falls due which typically creates a cash low point and could, in extreme circumstances, lead to Ofgem revoking the licence to operate if the payment is not made. The August 2020 payment was settled in full and on time, and hence the risk in the short term is minimal.

The Board is pleased with its management of the assessed risks associated with COVID-19, and is now better prepared to mitigate (to the extent possible) against certain events (particularly the mark to market losses in H1 2020) which could impact the ability to continue as a going concern. That said, the second phase of COVID-19 measures announced in September 2020 will impact certain sectors which are served by the Group, and the level of potential impact is difficult to predict with certainty. The Board assess the threat of an increase in bad debt were a significant part of the Group's customer base to fail as a consequence of the wider economic environment.

Based on the above the Directors consider it appropriate to continue to prepare the financial statements on a going concern basis. However, consistent with the 2019 annual report, the ongoing COVID-19 pandemic has created sufficient risk and wider economic instability that the Directors have decided to formally note the existence of a level of material uncertainty which may potentially cast doubt on the Group's future ability to continue as a going concern.

These financial statements do not include any adjustments that would result from the basis of preparation as a going concern being inappropriate.

Use of estimates and judgements

The preparation of the financial information in conformity with adopted IFRSs requires the use of estimates and assumptions. 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 level of accrual for unbilled revenue, the inputs to the IFRS 2 share option charge calculations and the recoverability of deferred tax assets and trade receivables.

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 period, 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, both gas and electricity 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.

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 losses.

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

Derivative financial instruments

The Group uses commodity purchase contracts to hedge its exposures to fluctuations in gas and electricity commodity prices. The majority of commodity purchase contracts are expected to be delivered entirely to the Group's customers and therefore the Group classifies them as "own use" contracts and outside the scope of IFRS 9. 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 period 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

Following the adoption of IAS 32, 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's 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.

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 grant date fair value of share based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share based payment awards with non-vesting conditions, the grant date fair value of the share based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Leases

The Group as a lessee

For any new contracts 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;
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

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

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

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

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

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

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

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

On the statement of financial position, right-of-use assets have been included in the non-current assets balance and lease liabilities have been included in trade and other payables.

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.

2. Segmental analysis

Operating segments

The Directors consider there to be one operating segment, being the supply of electricity, gas and water to SMEs and larger corporates.

Geographical segments

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

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

3. Reconciliation to Adjusted EBITDA

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

	30 June 2020 £'000	30 June 2019 £'000	31 December 2019 £'000
Adjusted EBITDA Reconciliation			
Loss from operations	**(2,062)**	**(3,248)**	(5,898)
Add back:			
Non-recurring items	**-**	**67**	614
Unrealised (gain)/loss on derivative contracts	**(137)**	**367**	518
Depreciation of property plant and equipment and right-of-use assets	**186**	**196**	397
Amortisation of intangibles	**1**	**1**	2
Equity-settled share based payment charge	**166**	**(57)**	125
Adjusted EBITDA	**(1,846)**	**(2,674)**	(4,242)

The non-recurring items incurred in the 6 month period ended 30 June 2019 and the year ended 31 December 2019 consisted of restructuring payroll costs and legal and professional fees in relation to the Q4 2018 accounting review and subsequent regulatory investigation. No such costs were incurred in the 6 month period ended 30 June 2020.

4. Earnings per share

Basic loss per share

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

	30 June 2020 £'000	30 June 2019 £'000	31 December 2019 £'000
Loss for the year attributable to ordinary shareholders	**(1,711)**	(2,716)	(4,968)

	30 June 2020	30 June 2019	31 December 2019
Weighted average number of ordinary shares			
At the start of the period	**16,281,055**	16,267,555	16,267,555
Effect of shares issued in the period	**-**	8,727	11,133
Number of ordinary shares for basic earnings per share calculation	**16,281,055**	16,276,282	16,278,688
Dilutive effect of outstanding share options	**813,414**	737,120	786,547
Number of ordinary shares for diluted earnings per share calculation	**17,094,469**	17,013,402	17,065,235

	30 June 2020 £	30 June 2019 £	31 December 2019 £
Basic loss per share	**(0.11)**	(0.17)	(0.31)
Diluted earnings per share	**-**	-	**-**

Adjusted earnings per share

Adjusted earnings per share is based on the result attributable to ordinary shareholders before exceptional items and the cost of cash and equity-settled share based payments, and the weighted average number of ordinary shares outstanding:

	30 June 2020 £'000	30 June 2019 £'000	31 December 2019 £'000
Adjusted earnings per share			
Loss for the year attributable to ordinary shareholders	**(1,711)**	(2,716)	(4,968)
Add back:			
Non-recurring items after tax (see note 3)	**-**	54	497
Unrealised loss on derivative contracts after tax	**(111)**	297	420
Share based payments after tax	**134**	(46)	101
Adjusted basic earnings for the year	**(1,688)**	(2,411)	(3,950)

	30 June 2020 £	30 June 2019 £	31 December 2019 £
Adjusted earnings per share	**(0.10)**	(0.15)	(0.24)

5. Taxation

The tax credit for the period has been estimated using a rate of 19.0% on taxable profits and losses.

6. Dividends

The directors do not propose the payment of an interim dividend in relation to 2020 (2019: £nil per share).

7. Trade and other receivables

	30 June 2020 £'000	**30 June 2019 £'000**	31 December 2019 £'000
Gross trade receivables	**7,909**	12,033	7,801
Provision for doubtful debts and expected credit loss	**(5,381)**	(6,313)	(4,901)
	2,528	5,720	2,900
Accrued income – net of provision	**5,338**	6,431	9,278
Prepayments	**783**	186	2,185
Other receivables	**2,336**	3,802	11,523
	8,457	10,419	22,986
Total trade and other receivables	**10,985**	16,139	25,886

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

	30 June 2020 £'000	**30 June 2019 £'000**	31 December 2019 £'000
Opening balance	**4,901**	4,803	4,803
Additional provisions recognised	**1,902**	1,510	2,931
Provision utilised in the period	**(1,422)**	-	(2,833)
Unused amounts reversed	**-**	-	-
Closing balance	**5,381**	6,313	4,901

In addition to the £1,902,000 (year ended 31 December 2019: £2,931,000) provision recognised in relation to trade receivables, there was a reduction in the provision made against accrued income of £300,000 (year ended 31 December 2019: increase of £159,000). The net bad debt and expected credit loss charge for the period was therefore £1,602,000 (year ended 31 December 2019: £3,090,000).

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

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

Included in other receivables at 30 June 2020 is £1,050,000 of cash paid to trading counterparties as cash collateral (31 December 2019: £10,408,000).

8. Cash and cash equivalents

	30 June 2020 £'000	30 June 2019 £'000	31 December 2019 £'000
Cash at bank and in hand	**17,886**	13,921	2,377
Short-term deposits	**-**	3,500	-
Total cash and cash equivalents	**17,886**	17,421	2,377

The short-term deposits held at 30 June 2019 related to cash held at bank which was utilised to support collateral, in the form of letters of credit, with trading counterparties.

9. Trade and other payables

	30 June 2020 £'000	**30 June 2019 £'000**	31 December 2019 £'000
Current			
Trade payables	**350**	2,457	1,409
Accrued expenses and deferred income	**22,378**	22,894	20,889
Corporation tax	**-**	16	-
Derivative financial liability	**246**	232	383
Lease liabilities	**149**	221	149
Other payables	**8,246**	4,773	5,246
Total current trade and other payables	**31,369**	30,593	28,076
Non-current			
Lease liabilities	**374**	466	448

10. Financial instruments and risk management

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

(a) Fair values of financial instruments

Fair values

Derivative financial instruments are measured at fair value through profit and loss. The derivative instruments are level 1 financial instruments and their fair value is therefore measured by reference to quoted prices in active markets for identical assets or liabilities. All derivatives are held at a carrying amount equal to their fair value at the period end.

(b) Market risk

Market risk is the risk that changes in market prices, such as commodity and energy prices, will affect the Group's income. Accessing such commodity forward markets can also increase liquidity risk.

Commodity and energy prices

The Group uses commodity purchase contracts to manage its exposures to fluctuations in gas and electricity commodity prices. The Group's objective is to reduce risk from fluctuations in energy prices by entering into back to back energy contracts with its suppliers and customers, in accordance with a board approved risk mandate. Commodity purchase contracts are entered into as part of the Group's normal business activities. The majority of commodity purchase contracts are expected to be delivered entirely to the Group's customers and are therefore classified as "own use" contracts. These instruments do not fall into the scope of IFRS 9 and therefore are not recognised in the financial statements. A proportion of the contracts in the Group's portfolio are expected to be settled net in cash where 100 per cent of the volume hedged is not delivered to the Group's customers and is instead sold back to the grid in order to smooth demand on a real time basis. An assumption is made based on past experience of the proportion of the portfolio expected to be settled in this way and these contracts are measured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

As far as possible, in accordance with the risk mandate, the Group attempts to match new sales orders with corresponding commodity purchase contracts. There is a risk that at any point in time the Group is over or under hedged. Holding an over or under hedged position opens the Group up to market risk which may result in either a positive or negative impact on the Group's margin and cash flow, depending on the movement in commodity prices.

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

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

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

The fair value mark to market adjustment at 30 June 2020 is a gain of £137,000 (6 months ended 30 June 2019: loss of £367,000). See note 9 for the corresponding derivative financial liability.

Liquidity risk from commodity trading

The Group's trading arrangements can result in a cash call being made by counter-parties when commodity markets are below the Group's traded position. A significant reduction in electricity and gas markets could lead to a material cash call from the Group's trading counter-parties. Whilst such a cash call would not materially impact the Group's profit, it would have an impact on the Group's cash reserves. The new structured trading arrangement with SmartestEnergy has reduced this liquidity risk, by providing a significant credit facility secured on the customer contracts, accounts receivable and other assets of the Group which should scale with the Group. This facility also contains covenants, which the Group must meet, to maintain the credit facility. This trading facility is secured on the main operating assets of the Group and failure to adhere to covenants may reduce the credit line, which could result in cash calls which the Group would have to lodge cash collateral to meet. The Board monitors its compliance with covenants, and the level of credit line and forward market movements which could increase liquidity risk.

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

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

Credit risk is also managed through the Group's standard business terms, which require all customers to make a monthly payment predominantly by direct debit. At the period end there were no significant concentrations of credit risk. The carrying amount of the financial assets represents the maximum credit exposure at any point in time.

At 30 June 2020 the Group held a provision against doubtful debts and expected credit loss of £5,832,000 (31 December 2019: £5,858,000). The provision is a combined provision against both trade receivables (£5,381,000) and accrued income (£451,000).

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board is responsible for ensuring that the Group has sufficient liquidity to meet its financial liabilities as they fall due and does so by monitoring cash flow forecasts and budgets. In order to enter into the necessary commodity purchase contracts, the Group may be required to lodge funds on deposit with either it's bank or direct with our commodity trading counterparties. At 30 June 2020 the Group had £1.1m lodged as cash collateral with trading counterparties (31 December 2019: £10.4m). On 16 December 2019 the Group announced a new structured trading arrangement with SmartestEnergy. This arrangement provides a significant credit facility and as such reduces the need to lodge cash collateral as further described in (b) above. The Board has considered the cash flow forecasts, along with the collateral requirements, for the next 12 months, which show that the Group expects to operate within its working capital facilities throughout the year.

Any excess cash balances are held in short-term, interest bearing deposit accounts. At 30 June 2020 the Group had £17.9m of cash and bank balances, as per note 8.

(e) Foreign currency risk

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

(f) Impact from the COVID-19 virus outbreak

The COVID-19 pandemic has negatively impacted the UK economy and the majority of UK businesses during H1 2020 and is expected to continue to do so for the foreseeable future. As described earlier in these financial statements, the Group has experienced reduced customer consumption volumes from extended periods of enforced lockdown along with isolated instances of credit loss as businesses in certain sectors have struggled to settle their energy invoices on time. The reduced customer consumption, combined with a low commodity market, has resulted in mark-to-market losses being incurred as the excess commodity has had to be sold back to the commodity market at reduced prices.

The Board have however been pleased with the overall business performance and resilience given the current economic backdrop and are confident that the Group is well placed to deal with any further uncertainty as we head into winter 2020 and beyond.

The total customer receivables balance at 30 June 2020, net of provision for doubtful debts and expected credit losses, is £7,866,000. The Directors assess the level of provision as adequate after consideration of cash received post 30 June 2020.

The risk of a second wave of the virus and associated mass scale lockdowns impacting the recoverability of customer receivables balances in the future is being monitored closely by the Board. The Board is also monitoring any impact that a second wave might have on the reduction of customer volume, and therefore the revenue of the Group.

11. Share based payments

The Group operates a number of share option plans for qualifying employees of the Group. Options in the plans are settled in equity in the Company. The options are subject to a vesting schedule, but not conditional on any performance criteria being achieved. The only vesting condition is that the employee is employed by the Group at the date when the option vests.

The terms and conditions of the grants made under the schemes are as follows:

		Exercisable between				
Date of grant	Expected term	Commencement	Lapse	Exercise price	Vesting schedule	**Amount outstanding at 31 December 2019**
17 February 2016	3	17 February 2019	17 February 2026	£0.09	2	27,000
22 December 2016	3	22 December 2019	22 December 2026	£3.25	2	13,500
6 April 2017	3	6 April 2020	6 April 2027	£0.005	2	79,110
6 April 2017	6.5	6 April 2020	6 April 2027	£2.844	2	158,220
28 September 2017	6.5	28 September 2020	28 September 2027	£5.825	2	40,500
9 April 2018	6.5	9 April 2021	9 April 2028	£10.38	2	78,351
26 September 2018	6.5	26 September 2021	26 September 2028	£8.665	2	6,539
25 February 2019	6.5	25 February 2022	25 February 2029	£1.090	2	53,333
25 February 2019	3	25 February 2022	25 February 2029	£0.005	2	250,000
18 June 2019	3	1 August 2022	1 February 2023	£1.400	3	89,994
						796,547

The following vesting schedules apply:

1. 50 per cent of options vest on first anniversary of date of grant and 50 per cent vest on second anniversary.
2. 100 per cent of options vest on third anniversary of date of grant.
3. 100 per cent of options vest on third anniversary of savings contract start date.

The Board are considering a new performance share plan, which is being finalised. No awards have been granted to date.

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

	30 June 2020	30 June 2019	**31 December 2019**
Balance at the start of the period	**830,468**	573,290	573,290
Granted	**-**	437,248	437,248
Forfeited	**(33,921)**	(136,070)	(166,570)
Lapsed	**-**	-	-
Exercised	**-**	(13,500)	(13,500)
Balance at the end of the period	**796,547**	860,968	830,468
Vested at the end of the period	**250,830**	27,000	40,500
Exercisable at the end of the period	**250,830**	27,000	40,500
Weighted average exercise price for:			
Options granted in the period	**-**	£0.55	£0.55
Options forfeited in the period	**£1.34**	£1.62	£2.29
Options exercised in the period	**-**	£0.09	£0.09
Exercise price in the range:			
From	**£0.005**	£0.005	£0.005
To	**£10.380**	£10.380	£10.380

The fair value of each option grant is estimated on the grant date using a Black Scholes option pricing model with the following fair value assumptions:

	30 June 2020	30 June 2019	**31 December 2019**
Dividend yield	**-**	0%	0%
Risk-free rate	**-**	1.5%	1.5%

Share price volatility	**-**	36.0%	124.3–127.8%
Expected life (years)	**-**	3-6.5 years	3–6.5 years
Weighted average fair value of options granted during the period	**-**	£0.85	£1.14

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

The total expense/(credit) recognised for the period arising from share based payments is as follows:

	30 June 2020 £'000	30 June 2019 £'000	**31 December 2019 £'000**
Equity-settled share based payment expense/(credit)	**166**	(57)	125
Cash-settled share based payment expense/(credit)	**-**	-	-
	166	(57)	125

12. Commitments

Capital commitments

The Group has entered into an agreement to purchase a newly developed office building and associated land at a site in Leicester city centre. At 30 June 2020 the Group has incurred £1,175,000 of cost which is currently included in the fixed assets total as £150,000 of land and £1,025,000 of assets under construction. The Group has a remaining capital commitment at 30 June 2020 of £2,250,000 (30 June 2019: £3,400,000).

The remaining cash flows are anticipated to be incurred in late 2020 or early 2021, at which point the Group should take possession of the completed building.

Security

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

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

Contingent liabilities

The Group had no contingent liabilities at 30 June 2020 (30 June 2019: £nil).

13. Related parties and related party transactions

The Group has transacted with CPK Investments Limited, an entity owned by Bobby Kalar, during the current and prior financial period.

CPK Investments Limited owns the Nottingham property from which the Group operates and rents it to Yü Energy Retail Limited under an operating lease. During H1 2020 the Group paid £60,000 in lease rentals and service charges to CPK Investments Limited (H1 2019: £60,000). The amount owing to CPK Investments at 30 June 2020 was £nil.

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

14. Post-balance sheet events

On 10th August 2020 the Group announced that it had completed the purchase of the B2B customer book from Bristol Energy Limited. The Group paid £1.24m in initial consideration, with a further £100,000 deferred for three months. An adjustment linked to forward commodity market prices resulted in the consideration payable by the Group being reduced by £403,000 during August 2020. Along with the customer contract book, c. £1.0m of trade receivables were acquired as part of the transaction.

The transaction adds c. 4,000 meter points to the Groups existing portfolio of c. 9,800.

As part of the transaction the Group assumed up to £580,000 of industry liabilities payable in August 2021.