2017 INTERIM RESULTS

Results for the six months to 30 June 2017

yü

GROUP PLC

19 September 2017

GROUP PLC

Yü Group PLC

(the “Group”)

Results for the six months to 30 June 2017

Yü Group PLC, the independent supplier of gas and electricity to the UK corporate sector, announces its half year results for the six month period to 30 June 2017.

Financial Highlights:

		Six months to 30 June		Year to 31 December 2016
		2017	2016	2016
		£'000	£'000	£'000
Revenue		20,758	5,089	16,264
Gross profit		3,668	1,069	3,443
Gross margin		17.7%	21.0%	21.2%
Operating profit/(loss) before tax:				
Adjusted*		1,165	(285)	205
Statutory		694	(1,329)	(1,518)
Operating cash inflow/(outflow)		1,082	(216)	(870)
Earning/(loss) per share				
Adjusted*		6.6p	(2.0)p	1.0p
Statutory		3.8p	(9.9)p	(10.2)p
Dividend per share		1.00p	0.75p	2.25p
Cash		5,885	5,959	5,197

- Revenue increased more than 400 per cent. compared to H1 2016 and 85 per cent. compared to H2 2016
- Increase in contracted future revenue adding to the Group's high level of visibility:
  - contracted and recognised revenue for the year to 31 December 2017 currently stands at £39.0 million, ahead of expectations
  - revenues for the year to 31 December 2018 expected to be substantially ahead of current expectations with contracted revenue already at £23.2 million

*Adjusted results are calculated before IPO related costs in 2016 and share based payments

Operational Highlights:

- Increased focus on larger corporates and broker sales channel delivering rapid growth, albeit with lower gross margin in line with management expectations

- Commissions paid to energy brokers now identified as a separate cost due to growth in larger corporate customers
- Direct sales to SME customers growing rapidly, in line with increased staff numbers
- Customer renewal rate continues to be above 80 per cent
- Recruited senior management team to oversee sales, marketing, HR, operations, IT and finance to ensure balance between growth and cost control is maintained as the Group expands

Bobby Kalar, Chief Executive Officer, said:

"I am delighted to report that investment in our infrastructure to scale the business has resulted in a significant increase in expected revenues for the current year and beyond.

We will continue to build on our investment to strengthen the business further for future growth.

"The rapid increase in revenue means that we expect profits this year and next year to be ahead of expectations. This has been achieved in conjunction with the increased investment in staff and a shift in revenue mix towards larger corporate customers and the broker sales channel. Maintaining the culture and vision for the business has been a priority, and I am pleased that our steadfast approach is proving successful.

"We continue to focus upon cash generation with Group cash balances rising in the first six months of the year by £688,000 to £5.9 million, and operating cash inflow of £1.1 million. This supports our progressive dividend policy and thus we are delighted to be able to announce an enhanced interim dividend of 1.00p per share, an increase of 33 per cent.

"We have entered the second half with a robust financial position, high levels of visibility over future revenue, a strong pipeline and a large market opportunity, which leaves the Board confident in the future growth prospects for the Group."

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Notes to Editors

Information on the Group

Yü Group is an independent supplier of gas and electricity focused on servicing larger corporate and SME businesses throughout the UK. It has no involvement in the domestic retail market. The Group was founded by Bobby Kalar and is listed on the AIM market of the London Stock Exchange following a successful IPO in March 2016.

Interim Review

The Board of Yü Group PLC announces the results for the six months ended 30 June 2017.

Operational Review

The Board is delighted to report that the business continues to grow ahead of expectations as the move towards larger corporates has a positive impact on revenue growth. This development was made possible by the funds raised at the IPO in March 2016 which are being used as collateral for the Group's hedging policy with letters of credit lodged with counterparties in the wholesale energy market.

The growth has also come about due to the on-going investment in sales and support staff which has generated a rapid cash pay back in terms of increased sales. Employee numbers have risen from 67 at this time last year to 102 today. Further recruitment is expected in the second half of the year as we continue to take advantage of the market opportunity. Furthermore, we have been successful in recruiting a senior management team to help with the challenges that rapid growth brings for a company of our size. The six individuals recruited have wide experience of sales, marketing, finance, human resources, IT and energy industry operations in larger corporates that reflect best practice. This investment will ensure that we maintain high standards in terms of customer service as well as adhering to stringent industry regulations.

Annualised bookings each month have risen from an average of £3.0 million in the first six months of last year to £3.75 million per month in the first six months of this year. It is expected that this average monthly bookings number will increase significantly in the second half of the year, to approximately £5.0 million per month, as the enlarged sales team has an increased impact.

The total of recognised revenue plus contracted revenue for 2017 indicates that the revenues for the current year are likely to be in excess of £39 million. This compares with £16.2 million in 2016. Furthermore, contracted revenue for 2018 as at the beginning of September amounted to £23.2 million, an increase of £3 million since the trading update on 17 July 2017. When combined with the increase in annualised bookings, this provides considerable comfort that the rapid growth will continue. The Board anticipates that ultimately the revenues for 2018 are likely to be substantially ahead of current expectations and profitability will also be ahead of current market expectations.

Renewal rates for direct sales have remained in excess of 80 per cent. Expectations for future renewal rates remaining at this level are based on the prudent assumption that business from brokers will not be renewed. We are carefully monitoring the level at which the Group re-wins broker and larger corporate business.

The Group continues to adhere to its stated policy in terms of its commodity purchasing and hedging with letters of credit being put in place, supported by the Group's cash reserves, such that the forward sales of the Group are, as far as possible, backed by forward purchases in the gas and electricity markets. Although we continue to benefit from improved credit terms, in the unlikely event that there is a sustained and unusual level of commodity market volatility, the collateral demands on the Group would increase. In the event that this occurred, in order to maintain a risk averse approach, the Group would slow the rate of growth accordingly. This would have little impact on the current expectations for 2017 and 2018, but could potentially slow the anticipated rate of growth in 2019.

Financial Review

As previously indicated, in the first six months of the year there has been a fourfold increase in revenues to £20.8 million (H1 2016: £5.1 million), as a result of the enhanced sales teams that have been put in place.

As anticipated, the Group's margin has declined to 17.7 per cent in the first half of the year when compared with the previous reporting period (year to December 2016: 21.2 per cent), partly because margins were enhanced to some extent in the prior year due to the Group not being as highly hedged prior to the IPO (at a time when wholesale prices were falling) and also due to the shift in revenue mix towards larger corporates.

The increase in sales to the larger corporate sector has meant that there has been an increase in the commissions paid to energy brokers who are often employed by these larger customers. In consequence, broker commissions have now been separately identified as a cost to the business in order to provide clarity. Total broker commissions paid in the first six months of the year were £554,000 which compares to £126,000 in the same period last year. Overall, it is anticipated that going forward broker commissions will represent circa 2.5 per cent of total sales.

Administration expenses have been carefully controlled with investment being made into the sales and support functions so that the Group can build its customer base and deliver the service that is so important for continuing sales growth and customer retention. Customer renewal rates for direct sales were maintained above 80 per cent. reflecting our focus upon customer service and building upon the subscription model which helps to underpin the Board's confidence in future growth. The Group is also continuing to focus on developing a blue chip client base.

The adjusted operating profit for the period under review was £1,165,000 (2016 trading loss: £285,000). Adjusted earnings per share were 6.6 pence (H1 2016 loss per share: 2.0 pence before non-recurring costs relating to the IPO).

Net cash balances as at 30 June 2017 had risen to £5.9 million (31 December 2016: £5.2 million), despite investing heavily in more sales and support staff. Of this balance £3.0 million (31 December 2016: £3.4 million) was utilised as collateral for letters of credit issued to counter-parties in regard to the stated hedging policy. In the second half of the year the level of cash generation will be slightly impacted by various annual industry payments that are due during the autumn months, but cash balances are still anticipated to increase.

Dividend

The Board's strategy is to focus on the growth of the Group's business. However, due to the cash generating capabilities of the business the Board intends to continue the Group's progressive dividend policy and proposes to pay an interim dividend of 1.00p per share (2016: 0.75p per share). The ex-dividend date is 23 November 2017 with a record date of 24 November 2017. The dividend will be paid to shareholders on 9 January 2018.

Outlook

With rapid sales growth being delivered each month, margins and costs being carefully monitored and kept under control and a subscription model that generates cash, the Board looks forward to the future with confidence. It is now anticipated that revenue for 2017 will be significantly ahead of market expectations and substantially ahead of expectations for 2018. Profitability will also be ahead of anticipated performance for both financial years, underpinned by a strong and growing contracted revenue base.

Bobby Kalar
CEO
19 September 2017

Nick Parker
CFO
19 September 2017

Condensed consolidated statement of profit and loss and other comprehensive income for the six months ended 30 June 2017

	6 Months ended 30 June 2017 (Unaudited)			6 Months ended 30 June 2016 (Unaudited)			12 Months ended 31 December 2016 (Audited)		
	Adjusted	Exceptional Items	Total	Adjusted	Exceptional Items	Total	Adjusted	Exceptional Items	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	20,758	-	20,758	5,089	-	5,089	16,264	-	16,264
Cost of Sales	(17,090)	-	(17,090)	(4,020)	-	(4,020)	(12,821)	-	(12,821)
Gross profit	**3,668**	**-**	**3,668**	**1,069**	**-**	**1,069**	**3,443**	**-**	**3,443**
Operating costs before exceptionals and IFRS 2	(2,503)	-	(2,503)	(1,354)	-	(1,354)	(3,238)	-	(3,238)
Operating costs - exceptional IPO costs	-	-	-	-	(379)	(379)	-	(379)	(379)
Operating costs - IFRS 2 share option charge	-	(471)	(471)	-	(665)	(665)	-	(1,344)	(1,344)
Total operating costs	(2,503)	(471)	(2,974)	(1,354)	(1,044)	(2,398)	(3,238)	(1,723)	(4,961)
Proft/(Loss) from operations	**1,165**	**(471)**	**694**	**(285)**	**(1,044)**	**(1,329)**	**205**	**(1,723)**	**(1,518)**
Finance Income	6	-	6	-	-	-	19	-	19
Finance Costs	(25)	-	(25)	-	-	-	(29)	-	(29)
Profit/(Loss) before tax	**1,146**	**(471)**	**675**	**(285)**	**(1,044)**	**(1,329)**	**195**	**(1,723)**	**(1,528)**
Taxation	(223)	80	(143)	113	-	113	(59)	228	169
Profit/(Loss) for the Year	**923**	**(391)**	**532**	**(172)**	**(1,044)**	**(1,216)**	**136**	**(1,495)**	**(1,359)**
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income/ (expense) for the Year	**923**	**(391)**	**532**	**(172)**	**(1,044)**	**(1,216)**	**136**	**(1,495)**	**(1,359)**
Earnings/(Loss) per share									
Basic (Pence)			3.8p			(9.9)p			(10.2)p
Diluted (Pence)			3.5p			(9.9)p			(10.2)p

Condensed consolidated balance sheet as at 30 June 2017

	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)	31 December 2016 (Audited)
	£'000	£'000	£'000
ASSETS			
Non-current assets			
Property, plant and equipment	**408**	182	209
Intangible assets	**57**	58	57
Deferred tax	**547**	317	467
	1,012	557	733
Current assets			
Trade and other receivables	**6,465**	1,876	4,891
Cash and cash equivalents	**5,885**	5,959	5,197
	12,350	7,835	10,088
Total assets	**13,362**	8,392	10,821
LIABILITIES			
Current liabilities			
Trade and other payables	**(6,982)**	(3,499)	(5,340)
Non-current liabilities	**(121)**	-	(72)
Total liabilities	**(7,103)**	(3,499)	(5,412)
Net assets	**6,259**	4,893	5,409
Equity			
Share capital	**70**	70	70
Share premium	**-**	-	-
Merger reserve	**(50)**	(50)	(50)
Retained earnings	**6,239**	4,873	5,389
	6,259	4,893	5,409

Condensed consolidated statement of changes in equity for the six months ended 30 June 2017

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2017	70	-	(50)	5,389	5,409
Total comprehensive income for the period					
Profit for the period	-	-	-	532	532
Other comprehensive income	-	-	-	-	-
	-	-	-	532	532
Transactions with owners of the company					
Contributions and distributions					
Equity settled share based payments	-	-	-	423	423
Deferred tax on share based payments	-	-	-	-	-
Dividends paid in the period	-	-	-	(105)	(105)
Total transactions with owners	-	-	-	318	318
Balance at 30 June 2017	70	-	(50)	6,239	6,259
Balance at 1 January 2016	50	-	(50)	(986)	(986)
Total Comprehensive Income for the period					
Loss for the period	-	-	-	(1,216)	(1,216)
Other comprehensive income					-
	-	-	-	(1,216)	(1,216)
Transactions with owners of the company					
Contributions and distributions					
Equity settled share based payments	-	-	-	665	665
Deferred tax on share based payments	-	-	-	-	-
Proceeds from IPO share issues	20	7,480	-	-	7,500
Share issue costs	-	(1,070)	-	-	(1,070)
Capital restructuring	-	(6,410)	-	6,410	-
Total transactions with owners	20	-	-	7,075	7,095
Balance at 30 June 2016	70	-	(50)	4,873	4,893

Condensed consolidated statement of cash flows for the six months ended 30 June 2017

	6 months ended 30 June 2017 (Unaudited)	6 months ended 30 June 2016 (Unaudited)	12 months ended 31 December 2016 (Audited)
	£'000	£'000	£'000
Cash flows from operating activites			
Profit/(Loss) for the financial period	**532**	(1,216)	(1,359)
Adjustments for:			
Depreciation of property, plant and equipment	**95**	48	108
Amortisation of intangible assets	**1**	1	2
Finance income	**(6)**	-	(19)
Finance costs	**25**	-	29
Taxation	**143**	(113)	(169)
Share based payment charge	**423**	665	1,344
Increase in trade and other receivables	**(1,574)**	(813)	(3,828)
Increase in trade and other creditors	**1,443**	1,212	3,022
Net cash from operating activity	**1,082**	(216)	(870)
Cash flows from investing activities			
Purchase of property, plant and equipment	**(295)**	(75)	(162)
Interest received	**6**	-	19
Net cash from investing activities	**(289)**	(75)	(143)
Cash flows from financing activities			
Net proceeds from issue of new shares	**-**	6,430	6,413
Equity dividends paid	**(105)**	-	-
Repayment of borrowings	**-**	(227)	(250)
Net cash from financing activities	**(105)**	6,203	6,163
Net increase in cash and cash equivalents	**688**	5,912	5,150
Cash and cash equivalents at start of the period	**5,197**	47	47
Cash and cash equivalents at end of the period	**5,885**	5,959	5,197

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Notes to the condensed consolidated half yearly financial statements

1. General information

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 2017 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the supply of energy to SMEs and larger corporates in the UK.

Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2017 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 2017 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 2016, which is available on the Group's investor website. The comparative figures for the year ended 31 December 2016 have been audited. The comparative figures for the half year ended 30 June 2016 are unaudited.

The accounting policies adopted in these condensed consolidated half yearly financial statements are consistent with the policies applied in the 2016 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 2017 the Group had net assets of £6.3m (30 June 2016: net assets of £4.9m). Management prepare detailed budgets and forecasts of financial performance and cash flow over the coming 12 to 36 months. Based on the current projections the Directors consider it appropriate to continue to prepare the financial statements on a going concern basis.

Principal risks and uncertainties

The principal risks and uncertainties faced by the group in the half year ended 30 June 2017 are consistent with those identified and disclosed in the 2016 group financial statements.

Use of estimates and judgements

The preparation of 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.

Revenue recognition

The Group enters into contracts to supply gas and electricity to its customers. Revenue represents the fair value of the consideration received or receivable from the sale of actual and estimated gas and electricity supplied during the year, net of discounts, climate change levy and value added tax. For both electricity and gas supplied, revenue is recognised on consumption.

Revenue is recognised when the associated risks and rewards of ownership have been transferred, to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and where the revenue can be measured reliably.

Due to the inherent nature of the industry and its reliance upon estimated meter readings, revenue includes the Directors' best estimate of differences between estimated sales and billed sales. The Group makes estimates of customer consumption, based on available industry data, and also seasonal usage curves that have been estimated through historic actual usage data.

2. Segmental analysis

Operating segments

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

Geographical segments

100 per cent of the Group revenue is generated from sales to customers in the United Kingdom (2016: 100 per cent). The Group has no individual customers representing over 10 per cent of revenue (2016: none).

3. Exceptional items and broker commissions

The Group incurred legal and professional fees in the year ended 31 December 2016 of £379,000 in relation to the placing of ordinary shares and admission to AIM.

The IFRS 2 share option charge incurred in the first 6 months of 2017 was £471,000 (H1 2016: £665,000). The directors are of the opinion that by reporting the adjusted operating profits before charging share based payments, a more representative figure for the relevant profitability of the company can be derived.

Broker commissions for the 6 months ended 30 June 2017 totalled £554,000 (H1 2016: £126,000).

4. Earnings per share

	6 months ended 30 June 2017 £'000	6 months ended 30 June 2016 £'000	12 months ended 31 December 2016 £'000
Profit/(Loss) attributable to ordinary shareholders	**532**	(1,216)	(1,359)
	No.	No.	No.
Weighted average number of ordinary shares			
At the start of the period	**14,054,055**	10,000,000	10,000,000
Effects of shares issued in the period	**-**	2,338,878	3,212,229
Weighted average number of ordinary shares	**14,054,055**	12,338,878	13,212,229
	Pence	Pence	Pence
Basic profit/(loss) per share	**3.8**	(9.9)	(10.2)

Adjusted earnings per share

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

	6 months ended 30 June 2017 £'000	6 months ended 30 June 2016 £'000	12 months ended 31 December 2016 £'000
Adjusted earnings per share			
Profit/(loss) for the period	**532**	(1,216)	(1,359)
Add back:			
Exceptional items	**-**	380	379
Share based payment charge after tax	**391**	589	1,116
Adjusted basic earnings/(loss) for the period	**923**	(247)	136
	Pence	Pence	Pence
Adjusted basic earnings/(loss) per share	**6.6**	(2.0)	1.0

Diluted loss per share

	No.	No.	No.
Basic weighted average number of sales	**14,054,055**	12,338,878	13,212,229
Dilutive potential ordinary shares	**1,257,382**	810,293	953,564
Diluted weighted average number of shares	**15,311,437**	13,149,171	14,165,793
	Pence	Pence	Pence
Diluted earnings per share	**3.5**	(9.9)	(10.2)
Diluted adjusted earnings per share	**6.0**	(2.0)	1.0

5. Taxation

The tax charge for the period has been estimated using a blended rate of 19.5% on taxable profits, and 17% on deferred tax items.

6. Dividends

The directors propose an interim dividend of 1.0p per share in relation to the year ended 2017 (2016: 0.75p per share).

7. Trade and other receivables

	30 June 2017 £'000	30 June 2016 £'000	31 December 2016 £'000
Trade receiveables	**3,738**	-	2,663
Accrued income	**2,404**	1,782	1,904
Prepayments	**363**	94	83
Other receiveables	**(40)**	-	241
	6,465	1,876	4,891

8. Cash and cash equivalents

	30 June 2017 £'000	30 June 2016 £'000	31 December 2016 £'000
Cash at bank and in hand	**162**	1,206	379
Short term deposits	**5,723**	4,753	4,818
	5,885	5,959	5,197

9. Trade and other payables

	30 June 2017 £'000	30 June 2016 £'000	31 December 2016 £'000
Current			
Trade Payables	**310**	483	431
Accrued expenses	**5,487**	1,567	3,602
Deferred income	**-**	1,203	-
Corporation tax	**223**	-	25
Other payables	**962**	246	1,282
	6,982	3,499	5,340
Non-current			
Group share bonus liabilities	**121**	-	72

10. Financial instruments and risk management

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

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Market risk

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

Commodity and energy prices

The Group uses commodity purchase contracts to manage its exposures to fluctuations in gas and electricity commodity prices. The Group's objective is to minimise risk from fluctuations in energy prices by entering into back-to-back energy contracts with its suppliers and customers. Commodity purchase contracts are entered into as part of the Group's normal business activities, the Group classifies them as "own use" contracts. This classification as "own use" allows the Group not to recognise the commodity purchase contracts on its balance sheet at the period end.

As far as possible the Group attempts to match up all 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 has evaluated and continues to evaluate the use of commodity purchase contracts and whether their classification as "own use" is appropriate. On the basis that the key requirements are as listed below, it has concluded that this classification is appropriate:

- Physical delivery takes place under all contracts;
- The volumes purchased or sold under the contract correspond to the Group's operating requirements;
- The contracts are not considered to be written options as defined by IAS 39;
- There are no circumstances where the Group would settle the contracts net in cash, nor does the Group take delivery of the commodities and sell them within a short period for trading purposes.

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 amount of customers each owing relatively small amounts. Any potential new customer has 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 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 2017 the Group held a provision against doubtful debts of £100,000 (2016: £50,000).

Liquidity risk

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

In order to enter into the necessary commodity purchase contracts, the Group is required to lodge funds on deposit with its bank. These funds (£3.0m at 30 June 2017) are used as collateral, allowing the bank to issue letters of credit (LOCs) to the relevant trading counterparties in the wholesale energy market. The Board has considered the cash flow forecasts, along with the collateral and LOC requirements, for the next 12 months, which show that the Group expects to operate within its working capital facilities throughout the period.

Any excess cash balances are held in short-term, interest bearing deposit accounts. At 30 June 2017 the Group had £5.9m of cash and bank balances.

Foreign currency risk

The Group trades entirely in sterling, hence it has no foreign currency risk.

11. Share based payments

The Group operates an EMI share option plan for qualifying employees of the Group. Options in the plan 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.

During the period the company made the following grants:

Date of grant	Ex.price	Expected term	Lapse date	No. of options granted
6 April 2017	£0.005	3 years	6 April 2027	114,270
6 April 2017	£2.844	3 years	6 April 2027	228,540

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

	30 June 2017	30 June 2016	31 December 2016
Balance at the start of the period	**1,094,500**	-	-
Granted	**342,810**	1,094,500	1,108,000
Forfeited	**-**	-	(13,500)
Lapsed	**-**	-	-
Exercised	**-**	-	-
Balance at the end of the period	**1,437,310**	1,094,500	1,094,500
Vested at the end of the period	**500,000**	-	-
Exercisable at the end of the period	**-**	-	-
Weighted average exercise price for:			
Options granted in the period	**£1.90**	£0.09	£0.13
Options forfeited in the period	**-**	-	£0.09
Options exercised in the period	**-**	-	-
Exercise price in the range			
From	**£0.005**	£0.09	£0.09
To	**£3.25**	£0.09	£3.25

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 2017	30 June 2016	31 December 2016
Dividend yield	**-**	-	-
Risk free rate	**1.50%**	1.50%	1.50%
Share price volatility	**35.39%**	35.39%	35.39%
Expected life (years)	**3**	3	2.55
Weighted average fair value of options granted during the period	**£2.84**	£0.005	£1.75

The Group also operates a share bonus plan for all qualifying employees of the Group. The plan is settled in cash and is subject to certain financial targets for the financial years ending 2016, 2017 and 2018. On meeting these financial targets each financial year, 50,000 notional shares are awarded to the Group bonus pool. At the end of the third financial year (31 December 2018) the value of the pool will be based on the share price of the Group one week after the announcement of the results for the year ended 31 December 2018, and will be distributed to all qualifying employees.

The total expenses recognised for the period and the total liabilities recognised at the end of the period, arising from share based payments are as follows:

	30 June 2017 £'000	30 June 2016 £'000	31 December 2016 £'000
Equity settled share based payment expense	**422**	665	1,272
Cash settled share based payment expense	**49**	-	72
	471	665	1,344

12. Post-Balance sheet events

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